

2022

# BARBADOS

INTERNATIONAL FINANCE & BUSINESS



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BUILDING BRIDGES**

BEAUTY AND BENEFIT

**THE FUTURE OF  
THE METAVERSE:**

BARBADOS IS READY

**PROTECTING  
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## INTRODUCTION TO BIF&B 2022



Now in its 14th year of publication, Barbados International Finance & Business continues to promote Barbados as a location which offers a competitive landscape to operate in supported by internationally recognised accounting and law firms, a tax treaty network, modern legislation and a pro-business Government. In a competitive market, Barbados' offerings include captives and reinsurance, international business and trust, niche manufacturing, ICT, with fintech and fund management emerging as additional sectors.

Barbados continues to embrace technology by digitising the Corporate Affairs and Intellectual Property Office and the Barbados Revenue Authority. In 2022, Barbados expects to benefit from pent up demand post COVID-19, while at the same time developing legislation and responding to

the ever-changing Organisation for Economic Cooperation and Development guidelines. In this regard, Barbados has, along with 136 other countries agreed to a Minimum Global Tax Rate of 15%.

We invite you to consider Barbados as your domicile and to compare our regulatory environment, skilled workforce and internationally connected service providers. Please contact Invest Barbados via 1 (246) 626-2000, email [info@investbarbados.org](mailto:info@investbarbados.org) or view its website: [www.investbarbados.org](http://www.investbarbados.org), if you would like more information or assistance in establishing your business.

With very best wishes,  
**JAMES GARDINER**

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## EXTENDING A WARM WELCOME



**It is with a sense of optimism that I greet and welcome you to the 14th edition of Barbados International Finance and Business magazine.**

This edition is particularly special as it coincides with the 15th anniversary of Invest Barbados' service and achievements as the national investment promotion agency. Over the years, the Corporation, with able assistance from investors, industry professionals, service providers and other stakeholders, has made an important contribution to the growth and development of a resilient international business and financial services sector. From inception, our clear and determined focus has remained on attracting and sustaining foreign direct investment (FDI) to Barbados, boosting the nation's economic development while promoting its welcoming investment climate. As we start this new year, I give the assurance that my team and I, will continue to reach for success and sustainability, while ensuring that Barbados is a top choice for investors.

### Pleasing Progress

As I write, many governments, firms and individuals, globally, are facing down the challenges of yet another wave of the COVID-19 pandemic. Many have had to reset their strategic priorities. We will continue to use the most effective platforms to promote the jurisdiction's range of investment opportunities - international business, financial and insurance services, high value-added ICT services and business process outsourcing, niche manufacturing, renewable energy, global education, research & development, niche medical tourism, fintech, high net worth individuals and Welcome Stampers. At Invest Barbados, we have embraced the rising wave of digital technology, virtually engaging with potential new and existing clients, through various channels. Importantly too, we've welcomed the opportunity to again participate in face-to-face events.

In fact, the Corporation was able to participate safely and successfully at in-person promotional activities including Expo 2020 Dubai, outward and inward investment missions with Scotland, the 8th Annual Private Wealth Latin America and the Caribbean Forum, as well as the Kenya-Barbados Business Forum, to name a few.

At the national level, Barbados recently elected a new government. We also celebrated the historic transition to a parliamentary republic, with our President, Her Excellency The Most Honourable Dame Sandra Mason, FB, GCMG, DA, Q.C., LLD, becoming our first native Head of State. This significant milestone in our nation's journey is quite timely as we recommit to strive for excellence while showcasing who we are as Barbadians - a proud and resilient people, who despite originating from a small developing island state, still punch well above our weight while at the same time, safeguarding our future and that of generations to come.

### Committed to Excellence

Similarly, Invest Barbados is committed to excellence as our focus remains on attracting greater levels of FDI, creating quality jobs for Barbadians, bringing transferable skills and new technologies to Barbados as well as contributing to the nation's economic growth and development. Through meaningful collaboration with industry stakeholders, this can be achieved, as we work toward one common goal of enhancing Barbados' business landscape and our global competitiveness.

An aspect of such types of collaboration was further exemplified during the latter half of 2021, when the Invest Barbados team in conjunction with the Global Product Development Task Force hosted a Product Development Workshop. This 'think tank' saw local and international industry experts engaging in brainstorming

**The horizon proclaims promise! The outlook for national and global output is positive.**





...our clear and determined focus has remained on attracting and sustaining foreign direct investment...

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sessions geared towards identifying solutions for the enhancement and refashioning of the international business and financial services sector. Many lessons have emerged from this collaborative initiative, and as we head into 2022, we do so with a renewed and unified sense of direction and purpose.

Likewise, we have, together with our strategic partners and stakeholders, been engaging on the proposed global minimum tax corporate rate. Barbados, a reputable and compliant jurisdiction, joined several countries in the two-pillar agreement to reform the international taxation rules. As global policies and best practices continue to evolve, so too must Barbados, in efforts to remain competitive and at the leading edge of compliance and innovation. This we will do – as a parliamentary republic, a global financial centre and as resilient, determined, focused members of society.

## Positive Outlook

The horizon proclaims promise! The outlook for national and global output is positive. Invest Barbados therefore stands committed to doing its part to further develop and maximise our nation's fullest potential through the attraction of sustainable FDI, quality job creation and prudent policy advocacy. As our nation embarks on a new chapter in its social, political and economic landscape, so too must Invest Barbados. As we reimagine, refashion and repurpose, we guarantee that the warm and welcoming investment climate that is synonymous with the Barbados brand, awaits. We invite you to be part of our journey towards excellence!

**KAYE-ANNE BRATHWAITE**

*Chief Executive Officer*

*Invest Barbados*

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# ESG Investing: The World Is Changing

Written by  
**PAUL MICHAEL JENKINS**

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**Today, the field of ESG investing is rapidly growing and changing to include the practice of incorporating financially relevant ESG factors to be used in the financial analysis of companies and industries.**

Persons who reside or have interests in small island states such as Barbados, can bear witness to the impact that climate change has had on our lives. Understanding how we as stakeholders can influence positive results and change could come from not only daily habits and discipline in consumption; it can also take form by the way persons invest their assets.

The ESG 'term' is commonly referred to as the consideration of Environmental, Social and Governance factors alongside financial factors in the investment decision making process. ESG investing is often used to describe investments committed to socially responsible companies, industries and/or themes.

## Common ESG Investment Objectives

ESG can invoke different meanings for different people. However, under the theme of ESG investing, there tends to be three themes or objectives when considering this type of investing: Integration, Values and Impact.

### Integration

Research has supported the notion that ESG factors can contribute to long term financial success or performance in portfolios. ESG factors could be used to identify management teams who have incorporated changing global demands into practice as it relates to environmental, social and governance issues. By aligning corporate behaviour to the growing global trend of accountability, transparency and governance, select companies with appropriate business models are likely to adapt better to rapidly evolving regulatory environmental demographic or technological trends. Institutional investors are increasingly looking for ESG factors as a way to better manage risks and achieving long-term sustainable financial performance.

### Values

Many investors consider ESG as a strategy for aligning investments with ethical, religious or political beliefs. These investors have been known to employ ESG research or screening as a way to avoid or eliminate investments in corporations engaged in controversial activities such as gambling, alcohol, tobacco, fossil fuels and weapons.



## Impact

A final objective is the focus on the impact that potential investments could have on the world. With this objective, investors may seek to direct their capital toward companies that provide solutions to environmental or social challenges. Through the framework of formalised programmes such as the United Nations' Principles for Responsible Investment, investors can monitor the extent to which their investments have positive social and environmental impact.

## History of ESG Investing

ESG investing has grown in significance among both individual and institutional investors. The practice or engagement of ESG investing started in the 1960s as simply socially responsible investing where investors excluded equities or industries based on business activities such as tobacco production, involvement in South Africa's apartheid regime or production and distribution of alcohol. This activity of screening companies and/or investments evolved into broad ethical considerations and alignment with values. Indeed, this sensitivity to global issues became the backbone or common objective of the ESG investing practice.

Today, the field of ESG investing is rapidly growing and changing to include the practice of incorporating financially relevant ESG factors to be used in the financial analysis of companies and industries.

## The ESG Movement

Most recently, institutional investors have utilised ESG investing in a manner that has resulted in growth of ESG assets under management to be on track to exceed US\$50 trillion by 2025, representing more than a third of the projected US\$140.5 trillion in global assets under management, according to Bloomberg Intelligence's latest ESG 2021 Midyear Outlook report.



Global sustainability issues such as fossil fuel usage, rising sea levels, data security, global tax perceptions, populism in politics and demographic shifts are paralleled with regulatory pressures and governments attempting to keep up. These issues have introduced new risk factors that were not considered decades ago. Companies continue to face these complexities on a worldwide scale, and as a result, investors are re-evaluating traditional investment analysis approaches.

## Millennials are Making Different Choices

The investor landscape is changing. Over the next several decades the millennial generation could place between US\$15 to \$25 trillion into global ESG investments. Intergenerational wealth transfer from baby-boomers to millennials with differing sensitivities could result in a largesse to ESG investing on a massive scale. A growing body of studies suggests that millennials, minorities and women are asking more of their investments.

## How Barbados Can Take Advantage

Barbados is known as a reputable and well-regulated international financial centre. Our government has been impressively addressing the impact of climate change on a global stage. One strategy to take advantage of the ESG evolution is to market our international financial services, such as captive insurance, international wealth management and our enabling legislative framework, to companies and industries globally. Barbados' intention of going 'green' by 2030 supports the nation's alignment with many of the ESG principles.

This is our home and each of us has a part to play. Let us support our government's ESG momentum by promoting our shores as the best global financial domicile that is ESG friendly and compliant. As a result, Barbados could be the financial and ESG offshore envy of the region and the world!

# Global Business for Local, Regional and International Clients

Written by  
**ROLAND JONES**

## Barbados' Tax Treaty Network

Austria | Bahrain | Botswana | Canada  
China | Cuba | Cyprus | Czech Republic  
Finland | Iceland | Italy | Luxembourg  
Malta | Mauritius | Mexico | Netherlands  
Norway | Panama | Portugal | Qatar  
San Marino | Seychelles | Singapore  
Spain | Sweden | Switzerland | UAE | UK  
USA | Venezuela | Caricom: Antigua and  
Barbuda | Belize | Dominica | Grenada  
Guyana | Jamaica | St. Kitts and Nevis  
St. Lucia | St. Vincent and the Grenadines  
Trinidad and Tobago

Barbados was quite visionary in being one of the first to open for international business, enacting legislation in 1965, which provided tax incentives to offshore companies. This was an apt moment to open an industry that provided opportunities for Barbadians and contributed to significant economic growth through diversification beyond sugar and tourism.

### Why clients choose Barbados?

Some of the main reasons include:

- A stable government, well-developed legal system and a good network of professional service providers
- A transparent planning jurisdiction with a comprehensive tax system
- The most advanced network of Double Taxation Agreements (DTAs) in the region, spanning 40 countries
- Key features of DTAs include reduced withholding tax on foreign dividends paid to Barbados holding companies and zero tax on capital gains on the sale of foreign subsidiaries held by Barbados holding companies
- A growing network of Bilateral Investment Treaties (BITs)
- High quality of life.

As a result, we have morphed into a jurisdiction with sophisticated and highly educated professionals providing specialised services

including trusts, corporate services, accounting and audit, fund administration, insurance and investment management. The growth of the global business sector has provided a higher quality of life for many locals and contributed to the island's and region's economic growth. This growth comes with an accumulation of wealth that far exceeds that of our grandparents. What this means is that we and our children, are going to be dealing with similar issues and concerns that require solutions, comparable to what we have been offering our international clientele. These include:

- Succession planning
- Cross border issues
- Corporate governance and strategic positioning
- Logistics and export concerns, and tax opportunities
- Investment management
- Wealth preservation.

### The international business - local connection nexus

In most families, the intent of senior family members is to relinquish control to their next generation. This goal tends to become stronger as these senior family members grow older and the question becomes 'what next and how will my business survive me?' When the current owners in a family business start thinking 'what next?', concerns arise that do not affect other types of business. For

example, decisions about future ownership and leadership of the business are not necessarily going to be based on business competence alone when the candidates are related to the incumbents.

In Barbados, many of the successfully run small and medium-sized businesses are family owned. More often than not, the business owner continues in that business until their dependent(s) reaches an acceptable age. Assuming some interest, the business owner seeks some type of succession planning, either informally, by mentoring the individual(s) or involving them to some degree in that business, or formally, by leaving assets and business interests in a will. The family involved in that business may be considered the typical nuclear family, i.e., parents and children, or may have evolved in other ways, e.g., a blended family, multi-generational family, a network of families or a large extended family.

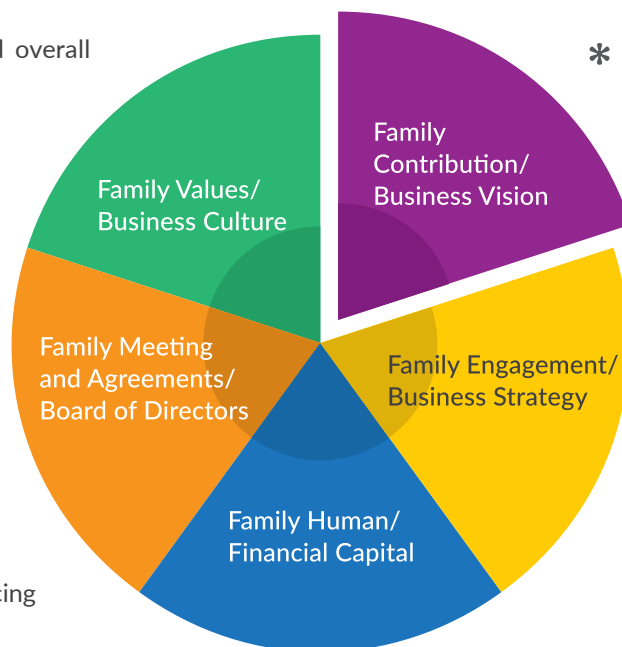
The family will have ownership of the business. This typically takes the form of a sole proprietorship or company but could very easily be held in other arrangements such as partnerships or trusts that are ultimately controlled by the family. The family tends to manage the business with some non-family members assisting with

the management and overall operation.

One area of succession planning can be the establishment of a trust for the family. Trusts are generally used to preserve wealth and can offer the following benefits:

- Preservation of wealth by streamlining/reducing taxes/duties
- Protection of infants/aged parents
- Immigration/emigration planning
- Asset protection
- Avoidance of probate formalities and fees while providing confidentiality, investment flexibility and succession planning.

Professionals in the international business sector can help the local families navigate some of these issues, perhaps providing counsel and assistance in the governance structure that may formalise and simplify the decision tree. This can be done by helping them to understand their own family business dynamic,



the overlapping primary subsystems that exist, family and business, assisting and, in some cases, formalising the governance structure and introducing some principles for succession planning. These are just some of the ways the traditionally international business industry can be of further benefit to the local and regional markets, leading to more sustainable, bigger businesses and legacy families.

\* Carlock, R., Ward, J. (2010). When family businesses are best: The parallel planning process for family harmony and business success. London: Palgrave Macmillan.





# The Canada – Barbados – Guyana Connection: Exploring Investment Opportunities

Written by  
**LIZA HARRIDYAL-SODHA**

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...Barbados is uniquely positioned for Canadian investment as well as investment from other countries into the emerging market of Guyana.

Companies and individuals looking to thrive in a well-regulated global marketplace, invest in Barbados to capitalise on the business-conducive environment, highly qualified workforce, modern infrastructure and the investment protection offered by Barbados' vast network of Double Taxation and Bilateral Investment Treaties.

The island is favoured amongst investors from North America, the United Kingdom and in recent times, Asia and Latin America for not only indirect investment, but also for second home ownership and residency. Companies can freely repatriate profits and capital from foreign direct investment. Foreign sourced capital and capital gains remitted to the island are exempted from tax in Barbados. Companies are taxed on a sliding scale from 5.5% to 1% depending on the level of taxable income.

Barbados provides an avenue for investment as well as the resources needed to drive capital into and develop economic potential in emerging markets. In this regard, Barbados is uniquely positioned for Canadian investment as well as investment from other countries into the emerging market of Guyana. Central to this is Barbados' taxation treaty agreements with Canada ("the Barbados-Canada Treaty") and the Caribbean Community and Common Market ("the Treaty"), of which Guyana is a Member State.

The Treaty applies to taxes on income, profits or gains and capital gains arising in a Member State. As Guyana and Barbados are both Member States, the Treaty ensures there is no double taxation of such income/profits, where the corporate group includes a Guyanese company and a Barbados company. The Treaty generally allocates taxing rights on profits resulting from business activities to the Member State where such business activities are undertaken. As such, dividends, royalties, interest and management fees paid by a company, which is a resident of a Member State to a resident of another Member State, are taxed only

in the first-mentioned State. The Treaty provides that the rate of tax on gross dividends is 0% whereas for royalties, interest and management fees the rate is 15% of the gross amount.

In the context of Canadian multinationals, Barbados has been a primary jurisdiction for holding company business in connection with operations carried on in other countries. Pursuant to the Barbados-Canada Treaty, dividends paid to a Canadian parent company by a Barbados subsidiary benefit from a full deduction tax-credit in respect of the profits out of which such dividend is paid. Further, dividends paid by a Barbados company to a non-resident shareholder are not subject to withholding tax (15% from taxed profits) when the amount paid as dividends is derived from income earned from sources outside of Barbados (such as from oil extraction or mining operations in Guyana). Taxes on income from interest, rents and royalties earned by a Barbados subsidiary are also exempted under the Treaty.

Accordingly, a legally structured and administered Barbados company could potentially see its income earned remitted to Canada free of taxes.

Apart from utilising regular Barbados companies in structures, Barbados also has a thriving captive insurance business. Captive insurance growth in Barbados has been bolstered by the fact that COVID-19 is causing a re-evaluation of traditional lines, coupled with the need for coverage for pandemic-related risks that typically disrupt global supply chains. Also driving Barbados' success is the Foreign Currency Permit programme where a company earning 100% of income in foreign currency is eligible to apply for a permit, which provides additional benefits.

The island's financial and legislative framework has been specially designed and tweaked over the years to provide added security and easy return of investments. Barbados continues to demonstrate its ability to adapt to evolving international standards and preserve its reputation.

In recent times we have seen the enactment of the Companies (Economic Substance) Act, 2019 and the Data Protection Act, 2019. Undoubtedly, a stable and savvy government has contributed to an environment conducive to attracting and benefiting international investors and businesses, which support the expansion of locally owned and operated businesses.





## CASE STUDY

# The Barbados Fertility Centre

## Celebrating 20 years of Success and Growth

The Barbados Fertility Centre (BFC) is a state-of-the-art Joint Commission International accredited Assisted Reproductive Technology healthcare facility.

We offer a full range of In-Vitro Fertilisation (IVF) treatments and supportive services to assist couples or persons who need help having their family or egg freezing for fertility in the future.

The BFC opened in 2002 and at the time assembled the team of highly skilled doctors, IVF trained nurses and embryologists required to create the island's first IVF centre. We have grown enormously over those two decades and now have three clinics in the region: the

original in Barbados, a satellite office in Trinidad and a full clinic in Cayman. Our patients literally come from all over the world, with over 90% being non-residents of Barbados! Beyond our excellent success rates and lower costs, there is no doubt that destination plays a role in BFC being chosen due to its accessible flights and tourism product, over other centres around the world which are also geared towards medical tourism.

While the COVID-19 pandemic had a significant impact in 2020, the year 2021 has seen treatment cycles return to pre-Covid levels. We project significant growth in 2022 and expect the need for further expansion of our clinical and administrative team to meet demand. The year 2022 marks our 20th anniversary in Barbados, which is a testament for creating a successful and longstanding entity in a highly advanced technical medical field.

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# Innovative Uses for Captive Insurance Companies

Written by  
**NICHOLAS CRICHLLOW**

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**Captives are a natural option when companies face capacity and pricing challenges, especially when commercial pricing is viewed to be higher than the perceived risk.**

**T**he hard market conditions for insurance continued in 2021, which resulted in robust growth in captives worldwide and in Barbados. Directors and officers (D&O) liability as well as cyber insurance are two lines of business that continue to generate interest amongst companies that wish to add to the business their captives are currently writing, or incorporate new captives to write these lines of business.

Directors and officers have a responsibility to avoid conflicts of interest and exercise care and due diligence in managing the affairs of the corporation; failure to fulfil their corporate obligations can expose directors and officers to liability. Claims against directors and officers can be expensive to defend, and they may be personally liable if they are found to have acted disloyally or failed to exercise care that causes a loss to the corporation, shareholders, or others.

If directors and officers are sued, the company will likely provide indemnification in the form of the advancement of defence costs and payment of settlements and judgments so they are not paying out-of-pocket. However, when the company is unable or refuses to indemnify its directors and officers, D&O insurance becomes critical. D&O insurance will protect the company, reimburse it for its obligations to indemnify the directors and officers, and protect the directors and officers if the company cannot, or would not, indemnify and they are personally exposed.

The coverage is generally made up of three main insuring clauses summarised as follows:

**Side A:** Insures wrongful acts of directors and officers when the company is not permitted to indemnify by the broader of applicable law or by-laws, due to bankruptcy, or refuses to indemnify.

**Side B:** Reimburses the company for the indemnification it provides to the directors and officers for claims against them alleging covered wrongful acts.

**Side C:** Insures the company itself for its own liability and, in the public company context, is usually limited to securities claims.

Captives are a natural option when companies face capacity and pricing challenges, especially when commercial pricing is viewed to be higher

**The year 2021 saw significant increases in the pricing of cyber insurance with the high frequency and severity of ransomware claims...**

than the perceived risk. Using a captive to provide D&O insurance has been limited to date and has involved mainly Side B and C coverage. The primary reason for the lack of captive involvement has been the abundance of capacity in the traditional market, available at a low cost.

In addition, a concern with placing Side A coverage in a single-parent captive relates to the actual or potential conflict that could arise if the captive (a subsidiary of the company) is asked to pay a claim for an alleged act by a director or officer that the company is not permitted to indemnify.

Another line of business that is providing opportunities for growth is cyber insurance. The year 2021 saw significant increases in the pricing of cyber insurance with the high frequency and severity of ransomware claims continuing to be the top trend affecting pricing. Many leading insurers have begun to limit their exposure to ransomware losses by introducing coinsurance and sub-limits. Although the appetite to provide full ransomware coverage for organisations that demonstrate excellent controls remain strong, clients that do not demonstrate adequate controls are experiencing significant restrictions.

The key drivers for growth in the use of captives for cyber insurance include:

- Tailored coverage for excluded risks (ransomware events)
- Consolidation of cyber programmes across operating companies
- Coverage for emerging cyber risks, such as cyber terrorism
- Access to reinsurance for catastrophe limits.

Companies are also using captives to write cyber insurance to:

- Reduce reliance on third parties and capture costs and profits to insurers
- Lower the cost of cyber liability by obtaining a high deductible cyber policy on the market and “buying down” that deductible
- Access international reinsurers and specialty insurers which can introduce new capacity, greater completion, and better pricing for cyber risks that are costly to insure or not typically covered
- Fill gaps in standard policy language, secure coverage for unique risks, and consolidate cyber programmes across operations.

It is anticipated that there will be continued growth in captive formations in Barbados and companies will find opportunities to use their captives to write both D&O and cyber insurance.



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# Barbados: Building Bridges – Beauty And Benefit

Written by  
**SIR TREVOR CARMICHAEL, Q.C.**

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**Before the advent of pandemic and volcano, Barbados had effectively brought its public debt to manageable proportions as a result of a combination of factors...**

## Prologue

**E**conomic thinkers from as far back as the era of Adam Smith have recognised with respect the importance of the unpredicted and unpredictable variables in the assessment of a real-world economy; and what such an economy may portend for a future state of the nation.

This truism has been manifested in its stark reality as jurisdictions such as Barbados have been impacted by occurrences ranging from the COVID-19 pandemic as a multicycle occurrence, and the aftershock of the St. Vincent La Soufrière Volcano as a single focus event. In addition to these two events, the ongoing negative systemic effects of climate change together with the disparate self-inflicted environmental degradation have both delivered ongoing negative economic consequences to Barbados and globally as a whole.

Mitigation strategies have loomed large as a natural policy response. The obvious and broad strategies may be identified sectorally or in separate categories of analysis. Naturally, the international funding agencies continue to recognise the more obvious and potentially measurable mitigation areas related to the green economy and its scope for engendering revival and revitalisation. Hence, increased spending on the various pillars of a

resilient infrastructure is encouraged in areas which encompass a climate friendly transport infrastructure and an overall improved electricity transmission – to name a few areas of potential action.

## The Barbados Building Blocks

Before the advent of the pandemic and volcano, Barbados had effectively brought its public debt to manageable proportions as a result of a combination of factors – effective fiscal adjustment, a very robust sovereign debt restructuring and the introduction of some structural public sector reforms. Not surprisingly with the pandemic, the fiscal targets have had to be adjusted as public debt rose to 150% plus of gross domestic product (GDP) at the end of the 2020-2021 financial year. Indeed, the stated intention of achieving a 60% Debt-to-GDP ratio has consequentially been put back by two years from the 2033-2034 financial year to 2035-2036.

If this target is to be achieved, then, it is hoped that the new Public Finance Management Act will be implemented, thereby ensuring greater public service management and accountability. In this regard, grants to state owned enterprises should be contained and significant effort made to phase out crisis induced spending as the road to recovery will hopefully become more visible and identifiable.





The recovery however, will be ultimately more sustainable as the planned development takes on a holistic character – an appropriate blend of the measurable with quotients of its spiritually induced elements. In this regard, the recent announcement of the development of a Heritage District centred around the Newton Slave Burial Ground, while not a prima facie economic or financial act, will nevertheless bring a spiritual and developmental antidote to the drastic 18% decline of the economy during the first nine months of 2020. Recognised internationally as one of the more comprehensive slave burial grounds globally, Newton represents the past, present and the future of Barbados.

As the gift of a community spirited planter, the late Senator Lionel Ward, to the Barbados Museum and Historical Society and by extension to Barbados, it is bridge building for a very wide class of beneficiaries. The recent Prime Ministerial expression and recognition of the Newton burial ground as the anchor of a Barbados Heritage District is an acknowledgement and recognition of the Barbados Museum's over 20 years of curatorial assessment and care of a bridge building gift from a caring donor.

The creation of a Heritage District is consistent with a Barbados which benefits from the beauty and substance of other clusters of culture and circumstances which permeate its landscape. The historic Garrison District which itself houses the Barbados Museum and Historical Society is also home to the proposed National Art gallery as well as the George Washington House – the only home and country outside of the United States of America where the future President visited. The Garrison District is however more than buildings and some cute features of history; it is steeped in a strong blend of cultural appreciation and social significance, not unlike the emblematic Roebuck Street District which itself is also home to an ongoing heritage restoration.

### Epilogue

Beauty mixed with spirituality has in a vastly under-explored way enured to Barbados' ongoing sustainability and prowess; and the "new" Barbados seeks to mirror this recognition. As it seeks to inspire, the new Historic Districts will serve as true exemplars of the experience of the national consciousness not unlike that which the naïve ten-year-old Dillon Ripley expresses in the "Sacred Dove"; when

he spent a winter in Paris:

*"...one of the advantages of playing in Tuileries Garden as a child was that any one moment one could be riding the carousel, hoping against hope to catch the ring. The next instant one might be off wandering the paths among the chestnuts and the plane trees, looking for the old woman who sold "gaufres" those wonderful hot wafer-thin waffle-like creations dusted over with powdered sugar. A third instant in time, and there was the Punch and Judy show, mirror of life, now comic, now sad. Another moment and one could wander into one of the galleries at the Louvre...Then out to the garden again where there was a patch of sand in the corner to build sandcastles. Then back to the Louvre to wander through the Grand Gallery."*

The bridge to beauty geared for benefit – social, economic and psycho-cultural – is more than a Dillon Ripley dream. It can be attained with the appropriate blend of sound and fair policy mixed with an awakened and acute national conscience grounded in fairness and equity.



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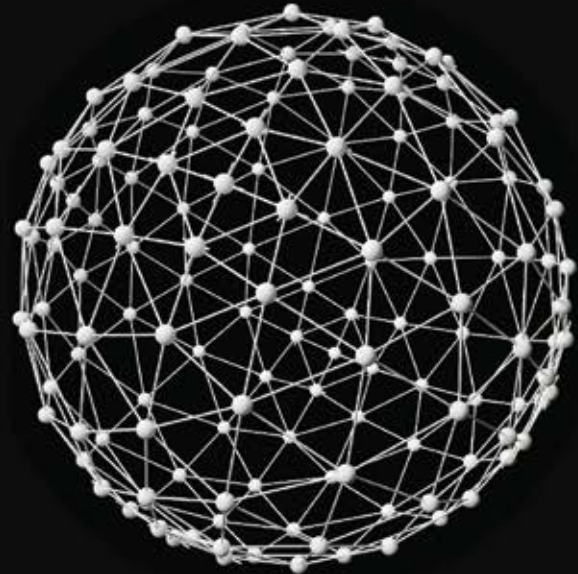


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# Captive Insurance: Early Lessons from the Pandemic

Written by  
**JUSTIN COLE**

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The challenges wrought by the pandemic have been wide ranging and touched most sectors worldwide in one way or another. The captive insurance sector has been no exception. COVID-19 has caused a serious shock, affecting different captives in unique ways, and having no effect at all on others.

As we start to emerge from the pandemic, it is now time to take stock of the early lessons that have been learned, strengths noted and weaknesses laid bare. Further consideration will lead to adaption and drive future change as we aim to become more resilient to similar shocks.

The headline catching item of the pandemic within the industry was business interruption insurance coverage. It will continue to be one of the ongoing battles before the courts as lawyers argue over the interpretation of various clauses and claims, trying to determine who qualifies and who doesn't. One thing is for sure, going forward, these clauses

will be nailed down tightly, removing ambiguity and leaving nothing to the imagination.

We would be wasting the opportunity if we only considered clauses that affect these types of pandemic driven claims, triggered by a poor choice of language or a loose consideration of their inclusion. The damage that such a high cost, unlikely event can cause should be noted and considered so that when that unknown occurs, the clauses that dictate coverage are clear.

In addition, consideration must now turn to other, less obvious costs, which may not be part of the traditional insurance coverage liability. Fees, such as administration costs per claim, normally viewed as nothing more than an additional administration expense and a minor cost in the larger picture, have the potential to explode in pandemic-like situations inflicting large, unexpected costs on a captive where no caps or limits are in place to mitigate such an unexpected event.

These shocks have also reinforced the benefits of maintaining a stronger than required capital position within a captive. This position provides a buffer against these events, however rare, and allows the captive to better

weather the storm and come out the other side. This is especially the case if the parent company is not in a position to inject additional capital, as may be the case for professional associations or membership organisations.

Warnings aside, captives with eligible business interruption cover were able to do as intended and provide benefits to their policyholders when they needed it. Policyholders that had these claims covered will be forever grateful.

In circumstances where this type of coverage wasn't included, there have been other benefits worth noting. These have come in the form of premium refunds or reductions to policyholders at an opportune time to help absorb the economic shock. Well capitalised captives were in a much better position to assist policyholders in this way.

As we look to the future and turn our backs on the damage wrought by the pandemic, we take with us our experience, intent on building resilience and are aware that once in a lifetime can happen in our lifetime and therefore, be sure to give these types of events the necessary consideration that they warrant.



# How COVID-19 Shaped The Financial Markets

Written by  
**RYLE WEEKES AND  
CARLOS STEVENSON**

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Over the last 21 months, COVID-19 has wreaked havoc across our economies and lives. Global Gross Domestic Product fell 3.3% in 2020, the unemployment rate in the USA reached a peak of 14.8% and so far 5.3 million lives have succumbed to the virus.

In the midst of this trauma, stock markets have continued a fairly steady march upward, rallying to 50 all-time highs just in the last 12 months. What underpins this seeming disparity and how can investors navigate these pandemic-era, market dynamics?

## Stock Markets Are Not Economies

While stock prices are obviously connected to economic fundamentals, there can be quite substantial leads and lags as market participants either look past what is viewed as short term turmoil or become mired in the uncertainty of an existential calamity. We saw a sharp contraction in global stock markets in March 2020, followed by almost as rapid an increase. Market participants, anticipating robust government stimulus, poured into equities even as the economies of the world flailed in the face of widespread COVID-19 infection.

## Digital Transition

It would be impossible not to recognise the tectonic changes technology has wrought in our lives, but what we have seen post Covid is an acceleration in the transition to this new digital world. In what has been popularised as the “stay-at-home trade”, Netflix and Amazon have replaced the fanfare of the weekend drive to the cinema and Saturday afternoons strolling through the malls. Both JCPenney and Neiman Marcus, icons in the world of retail, filed for bankruptcy in 2020, capping off a decade of declines for the mega retailers. In-person meetings have been replaced by the speed, convenience and flexibility of Zoom and Cisco Webex. The business trip, once a staple of salespersons worldwide has been replaced by the webcam, as CEOs rethink the need to “touch palms” in favour of a larger bottom line. Airline stocks have felt the full weight of this reorientation. In this new, much larger digital world the valuations of the top five tech companies now represent 28% of the S&P 500.

The annual inflation rate increased to 6.8% in November, its largest rise in 30 years fueled by supply chain disruptions and government stimulus. For much of the year “transitory” became the buzz word used to describe the rise in inflation as retailers, producers and customers alike faced difficulty sourcing products due to shortages. This combined with high global demand as economies continued to reopen, saw price increases in everything from food to washing machines.

Adding to this concoction are the Trump-era tariffs still left unchanged, and the Biden-sponsored protectionism, combining to prevent the lowest cost alternatives from reaching their target markets. This higher inflation expectation has accounted for higher fixed income yields during 2021. This itself has been intermittently tempered as the rising COVID-19 cases saw investors seek shelter in bonds, driving the price up and yields down, a delicate balancing act driven by the possibility of new variants and new inflation concerns.

## Portfolio Strategies

On the back of an improving economic picture and ongoing vaccine mitigation, we expect equities to continue to do well; however, not with the robust growth of 2020 and with some increased volatility. With markets close to all-time highs, valuations are a concern, particularly in the USA relative to other developed markets and may limit upside potential.

The moderation of the growth and inflation expectation will be negative for yields in the short term. In the medium term however, as the rate hiking cycle gets underway, we expect yields to increase, which will negatively affect bond prices. Fixed income investors looking further afield in their search for returns, will continue to find alternatives attractive, in this lower for longer interest environment. As we look to the future, the decisions we make managing the effects of COVID-19 in our lives and our investment portfolios, become all the more important.

# The Future of the Metaverse: Barbados is Ready!

Interview with  
**AMBASSADOR  
H. E. GABRIEL ABED**

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Barbados created history in November 2021, when the island's Ministry of Foreign Affairs and Foreign Trade signed an agreement with Decentraland, one of the world's largest crypto-powered digital worlds, to establish an Embassy in the metaverse.

One of the key movers behind this bold step, is Barbados' Ambassador to the United Arab Emirates H.E. Gabriel Abed. Ambassador Abed sheds light on Barbados' ground-breaking decision.

## **Q: What is the metaverse?**

**Ambassador Abed:** The simplest way is to think of it as a digital environment that you can experience and enjoy a fully immersive environment. It is a virtual 3-D world where you fully control your surroundings and movement, and it gives you the ability to have a much more rich, digital experience.

Metaverse technology has been around for many decades. Today the hardware and the software - the things you touch and feel and put on your head - are getting to the point where they are giving a better experience. We are also at a point where the general audience is able to participate on their phone or PC. When displayed on a headset through augmented reality, it is designed to give you that full 360 view. That's recent technology and it is only going to get better from here.

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**From that position of being the first mover, Barbados gets to be the leader of the conversation.**

**Q: Is there a connection between metaverse and blockchain technology?**

**Ambassador Abed:** It is about how the platform is offered. You can go on Facebook's Meta and experience their virtual environment, but the environment is controlled by a centralised company, and the experience you are getting is owned by a central actor.

Blockchain steps in and says, how about an alternative environment that is community-owned and driven, and virtual. That matters to Barbados because from a control perspective, we may want to build a bright orange Caribbean-styled house or virtual storefront showing off **Crop Over 2025** costumes but Facebook, for example, may not like that content and they have the power to pull it.

But there are other worlds like Decentraland (a 3-D virtual world browser-based platform where users may buy virtual plots of land as Non-Fungible Tokens via the MANA cryptocurrency, which uses the Ethereum blockchain. It is overseen by the non-profit Decentraland Foundation). There, the worlds are community driven. If we build on their environments, it requires a level of democracy. We have more control by controlling the mathematical key.

Blockchain allows us to control virtual plots of land in the metaverse to design and build whatever our creative talents can let us do.

**Q: Why is it important for us to be a world leader on this?**

**Ambassador Abed:** We get to set the precedent, the standard and the main stage. If you wait for others to do it, then all eyes are on them. We have to be the one that is brave enough to say that we are not limited by the size of our borders and that has to be Barbados' position.

Your limitations go away when you enter the technology space and therefore, we can afford to take the risk.

From that position of being the first mover, Barbados gets to be the leader of the conversation. We get to be the gatekeeper of the partnerships. We get to be the recipient of the market's goodwill that wants to see this happen. For example, Decentraland, in our agreement with them, has donated money to the project because we are doing something so ground-breaking, others want to be involved.

Let us be clear about this metaverse embassy. It is a diplomatic function for us to represent our nation in what we and many others believe will be a new form of economy and gatherings. At the end of the day, if we do not have representation where these new economies are starting and where new allyships can be built, then we are losing out at having a fair seat at the table to be global players.





# Captive Insurance: No Longer the Faceless Industry

Written by  
**KIRK CYRUS**

The archives of Captive Insurance Company Reports, trace risk sharing to the early 20th century. History further records that the term “captive” was first referenced in the 1950s when a self-insuring entity was founded on behalf of an Ohio steel company. The captive insurance industry of today is a very dynamic market, operating in an equally dynamic world.

## Market Conditions

By the start of 2021, the commercial insurance market was recording price increases across business lines, continuing the upward trend over the past three years. This market hardening has not only been about increasing rates, but also about declining capacity and increasing deductibles. The high interest and awareness in captives are consistent with the many new formations across all the major domiciles, including Barbados. These entities are at the forefront of insurance renewals by providing purchasers with a stronger negotiating position within the market.

While the year 2020 evidenced a contraction in global gross domestic product (GDP) primarily due to the COVID-19 pandemic, this slowing of economic activity has presented an opportunity for the use of captives to solve new and emerging risks. The pandemic has assisted in creating an environment where there is a lower appetite among traditional insurers,

despite customer demand. According to industry leaders, the insurance market has not been this hard since the mid-80s, which at the time was driven by asbestos and pollution liability concerns. Apart from the pandemic, the current market is being impacted by the increasing frequency and severity of natural catastrophes and other climate related risk exposures.

It is noteworthy that even during the pandemic, captives paid out claims for business interruption (BI). Captives are being used to tackle issues surrounding contingent BI related to business supply chain, including inventory spoilage, trade credit and loss of customers and suppliers. Further captive solutions are necessary since additional capital is required to absorb market volatility. This significant withdrawal of capacity has been the commercial market’s response to the many complex changes in risk exposures.

## Captive Solutions

The provision of deductible reimbursement coverage in captives coincides with the higher deductibles and retentions in the commercial space. However, existing captives are increasingly playing a role in providing cover for the low frequency, high severity exposures. Captives have been financing medical stop-loss and voluntary employee benefits in group captives, as well as reinsuring selected catastrophic exposures. Management





liability has also been placed in captives relating to employment practices, directors' and officers' and fiduciary liabilities. In Barbados, captives have provided parametric and other insurance solutions that consider the various challenges relating to natural disasters and extreme weather, terrorism, cyber-crime, and reputational damage.

Agriculture is an example of one of the many sectors considering the use of captives across the supply chain. These considerations include the very specific risk exposures relating to production in the form of organic or genetically modified crops, the product type in the case of cannabis, the impact of weather on output, or the business' contribution to pollution and environmental impairment. These exposures are being considered in captives in many respects because of coverage exclusions and gaps.

### Innovation

Within alternate risk financing, segregated cell companies (SCCs) led the global growth opportunities in 2020. The benefit of using these SCCs as "transformer" entities has been evidenced in the insurance-linked securities and collateralised (re)insurance market either as catastrophe or "cat" bonds, or as non-tradable, "over-the-counter" contracts that provide investors with access to a wider range of investments in support of the broader underlying insurance risks. This represents an interesting consideration for Barbados as there is long established legislation governing the segregation of assets and liabilities.

Amid the contraction in global GDP, ultra-high net worth individuals have been seeking risk management solutions for personal financial protection, especially when they have not been able to obtain proper cover in the traditional market. Estate planning is now including some form of disability insurance, with captives issuing multi-generational welfare, disability and long-term-care policies.

### Summary

While the formation of captives in Barbados commenced in 1984 with the signing of the US-Barbados Tax Treaty, that agreement was only beneficial to the domicile for the short time it allowed an exemption of Federal Excise Taxes, which was applicable to (re)insurance paid to non-US corporations. Many years later, and importantly so, Barbados remains an important domicile given that the hard market is here to stay for the foreseeable future. The expectation is that formations will continue at record levels and the market can expect an expansion in lines of coverage and premiums.

Barbados' position is that it must truly be open for business in every sense as its vitality will be tangibly judged by its share of this premium market share. To its credit there has been a significant attempt to reorient and modernise the public sector. However, more than technology improvements, the real investment must be in producing more risk management graduates and training programmes to build out market presence and competence. This previously faceless industry is set for take-off.



# How Do We Regulate?

Written by  
**KESTER GUY**

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**Knowledge of and adherence to the legislation and regulatory requirements of the jurisdiction is vital to maintain an acceptable level of risk to avoid any increased scrutiny.**

The Financial Services Commission (FSC) is the financial regulator in Barbados, responsible for supervising the Credit Unions, Insurance, Pensions, and Securities sectors within the jurisdiction. The FSC uses a two-pronged approach to regulation to manage consumer protection and systemic risks of the supervised sectors.

To accomplish this, the FSC maintains consistent engagement with regulated entities during the life of the licence. This enables the regulator to determine from the stage of licensing, whether the entity has built-in safeguards in place to ensure continuity, even under stressed economic conditions.

Barbados is considered one of the top global destinations for companies seeking to conduct international business. For those wishing to operate within the sectors supervised by the FSC, it is imperative that the dual approach noted above be incorporated into the company's strategy. Knowledge of and adherence to the legislation and regulatory requirements of the jurisdiction is vital to maintain an acceptable level of risk to avoid any increased scrutiny. Failure to comply with key requirements may lead to punitive action by the FSC, including the suspension or termination of the licence to operate.

Companies interested in being licensed in Barbados should understand the following basic requirements as it relates to the FSC's risk-centred supervisory approach.

- **Solvency:** This is a common indicator to assure the regulator that the company is financially able to cover all its liabilities when needed. This is especially important for any company conducting insurance business as its business model is built on the ability to pay timely claims. If this risk is not adequately managed, this may lead to the company being unable to fulfil obligations to customers and other stakeholders. This specific outcome is indicative of heightened consumer protection risk.
- **Capital adequacy:** A company is required to hold capital as a buffer against unexpected financial or economic stresses that may restrict the company from operating effectively. This may also lead



to insolvency. Based on the company's business model, the company should be able to determine the most adequate amount of capital to be held against that outcome. The regulator may estimate the minimum level of capital to be held by the company based on the business plan submitted. However, having better knowledge of its business and the potential exposure to risk, the company should also provide its own calculation to protect it from significant financial loss and ultimate business failure.

- **Fit and Proper:** Inadequate knowledge of the business and inefficient operational strategies can quickly wipe out operational funds and capital. This may even occur when a company is heavily resourced. The fit and proper assessment is conducted to ensure that key persons responsible for operational and oversight functions know their specific roles and have a background devoid of unethical, illegal or unsustainable business practices. This assessment gives the regulator confidence that the company should be well managed without enhanced financial exposure or instances of fraud.

- **Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT):** The fit and proper assessment fulfils some aspect of the AML/CFT review. In addition to the assessment of key decision makers, the AML/CFT requirements, as defined by the Financial Action Task Force, also look at other indicators, including the jurisdictions of operation and products being offered that may be indicative of heightened risk. As the regulator, the FSC ensures that all local, regional and international AML/CFT requirements are adhered to by its regulated entities. This includes regular assessments and a collaborative effort to reduce the risk of inherent money laundering, terrorist financing as well as the proliferation of financing vulnerabilities.

These requirements must be maintained from the inception of the licence, and throughout the life of the company, since the regulator's supervisory framework includes regular monitoring of licensed entities. Following these should increase the likelihood that the company operates successfully over the long term; and that the regulator will have minimum concerns. A happy regulator means a happy corporate existence.

## CASE STUDY

# Welcome Stamper, Sam Cole

## Barbados: A Hidden Gem

Back in the summer of 2020, we were spending a rare, warm day at the beach in our home in Ireland, when I said to my wife wouldn't it be nice to do this more often?

She agreed and it was soon after, that I read about the Welcome Stamp initiative in Barbados. We jumped at the chance to take this once in a lifetime trip; three months later we were on our flight to Barbados!

Overall, we spent seven fantastic months on the island. Everyone was so welcoming and despite COVID-19 restrictions and volcanic ash clouds, the experience for our children and ourselves could not have been bettered.

The lifestyle was great, work started early at 5:00 a.m. to cover European hours; however, that meant afternoons

were free to explore the wonderful beaches and spend great family time together.

It was during this time that I also witnessed Barbados' open, business friendly culture and superb education standards, which made me think about an opportunity for my employer to better service the important US market.

Since having returned to Ireland and through the support of Invest Barbados, we are now in the final stages of making the move to establish a technical support hub on the island. Invest Barbados' service has been second to none in providing a single point of contact throughout this process, exploring all the requirements of setting up and taking us along every step of the way.

"A hidden gem" is what was quoted to me when considering the business environment in Barbados and I could not agree more.

# Reducing the Impact of Climate Change through Regulatory Reform in Barbados

Written by  
**SHAZARD MOHAMMED**

July 2021 was the world's hottest month ever recorded - it is the highest temperature since record-keeping began 142 years ago by the National Oceanic and Atmospheric Administration. July's "unenviable distinction" was a cause for concern and represents a disturbing and disruptive path that climate change has set for the globe. Rising temperatures has a clear correlation to climate change and the direct positive feedback loop mechanism - increasing atmospheric carbon dioxide, leads to rising temperatures, resulting in melting polar ice which causes further increases in temperatures. This has a clear and direct impact on Small Island Developing States (SIDS) such as Barbados.

Barbados has affirmed its commitment to the United Nations' 17 Sustainable Development Goals (SDGs) and 169 targets set and adopted by all United Nations Member States in 2015. The SDGs and targets seek to build on the Millennium Development Goals (MDGs) and complete what the MDGs did not achieve. One of the domestic commitments to the SDGs has been reflected in the Barbados National Energy Policy (BNEP) - a policy designed to achieve the 100% renewable energy and carbon neutral island state by 2030.

The opportunity to invest in Barbados' energy sector and more so in renewable energy (RE) can be from granting a Renewable Energy Licence for the

eventual generation of electricity by Independent Power Producers (IPP) in accordance with the provisions of the Electric Light and Power Act 2013 (as amended). The application process engages several governmental agencies - that will assess the ability of the IPP to sustainably generate power in accordance with the Feed in Tariffs (FIT) wherein IPPs will generate and sell electricity from RE sources to the Barbados Light & Power Company Limited (BL&P). The FIT will replace the current Renewable Energy Rider (RER) programme and existing RER customers will be "grandfathered", i.e., customers will maintain their existing arrangements with BL&P for 20 years, with their systems' commission date used as the start date. We note that there needs to be a greater harmonisation and update of the laws and regulations such as the Town and Country Planning Act CAP. 240 to give clear guidelines as it relates to RE projects by IPPs.

The overall implementation plan would require regulatory change and harmonisation that will attract investors to RE technology and allow for the realisation and full integration of RE into Barbados' energy mix.

The above implementation plan is just one of many 'green engineering projects' that Barbados has engaged in with some relevance and applicability to the SDGs. These projects and policies, have almost indirectly, begun positing Barbados to embrace a



concept, which arguably has been around for some years, and has morphed, as countries are emerging from the COVID-19 pandemic. Governments and Boardrooms of major corporations are using this as an opportunity to springboard for achieving ambitious new climate policy goals – building back greener. There is a shift in their collective awareness to the effects and impacts of climate change through corporate governance and particularly, Environmental, Social and Governance (ESG) performance.

ESG has been garnering more attention in the last couple of years, but the most common question asked is whether ESG is not the same as Corporate Social Responsibility (CSR). Whilst they both cover broadly the same subject matter, society appears to be transforming from a narrative of CSR to ESG.

Whilst CSR has been used in the past to encapsulate a voluntary approach by corporations to manage such impacts, which was generally separate from corporate strategy and a means of redress rather than prevention – the ESG agenda is being driven by law – class actions, consumer claims, investor activism and increasingly, regulation.

The scope of ESG is wide. In the USA, California requires disclosing efforts to monitor human trafficking in the supply chain. All EU funds and non-EU Alternative Investment Funds were required to update their prospectuses as of March 10, 2021 to provide investors with information on how sustainability risks are taken into account in the investment decision-making process.

These are some of the examples of ‘green regulatory projects’ that are signs of a first step towards making investments flow in the right direction. Locally, it goes well beyond legislation such as the Environmental Levy CAP. 70, or the controversial carbon import levy. SIDS must find new and creative ‘green regulatory projects’ to make further steps in the journey to transitioning to a carbon neutral economy.

For those wishing to horizon scan, getting to grips now with the regulation that is likely to come, is key. Dentons is leading the way in helping companies evaluate and implement a robust ESG approach and the key performance indicators against which your company wishes to hold itself accountable.

# Financial Security



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# Opportunities in Barbados' Medicinal Cannabis Industry

Written by  
**TRACY MOORE**

Widespread and successful legalisation of the cannabis industry is no doubt partly responsible for the destigmatisation of cannabis.

In Barbados, it was legalised for medicine with the proclamation of the Medicinal Cannabis Industry Act 2019, which established the conditions under which the Barbados Medicinal Cannabis Industry currently operates. It was supported with the Medicinal Cannabis Industry Regulations, 2020, with the hopes that there is room for opportunity in the global cannabis market.

Barbados' offering of medicinal cannabis is presented via eight licences: cultivation, processing, importing & exporting, research and development, laboratory, retail distribution specifically for therapeutic facilities and transportation. With that said, what makes Barbados' medicinal cannabis industry stand out for FDI attraction?

A study published in JAMA Psychology in 2019 found that legalisation contributes to increased cannabis consumption, at least initially. This is good news for investors seeking to get involved in the local industry. Within the first six months of operations more than 75 applications were filed with the regulators, the Barbados Medicinal Cannabis Licensing Authority (BMCLA), and are currently in various stages – from draft to pre-approval – towards gaining licences into the industry.

Investment opportunities have created an enormous demand for a credible, compliant and science-based industry to test and validate products seeking market entry. This aligns squarely with Barbados' new cannabis industry, which stands on science-driven research as a core value. To solidify that commitment, the BMCLA partnered with the University of the West Indies (UWI) – Cave Hill Campus to ensure Government's vision to position Barbados as a centre of excellence in research and development (R&D) of medicinal cannabis. Two of the long-term strategic objectives from this partnership are research into the identification of new treatment modalities for clinical conditions and research into cultivars, and any other areas of research including sociological research as deemed necessary by the BMCLA.



**This aligns squarely with Barbados' new cannabis industry which stands on science-driven research as a core value.**



BMCLA's Chief Executive Officer at the time, Dr. Shantal Munro-Knight said, "We are interested to see Barbados become a hub for research and development licencees. The BMCLA must be strategic in terms of establishing a competitive niche and for us that is R&D. Having made that a priority by signing a memorandum of understanding with UWI – Cave Hill Campus, we look to Barbados to be that R&D hub in the region."

The BMCLA has successfully set a framework to provide an optimal licensing regime for investors willing to work collaboratively, specifically through three aspects:

1. **Efficiency:** A concierge desk has been set up to assist investors to have that personalised one-on-one experience to assist when and where possible with the industry. Additionally, the BMCLA has engaged other entities to assist with efficiency within the industry including the Corporate Affairs and Intellectual Property Office to facilitate business set-up, the Barbados Police Service to assist with security of the industry and the Ministry of Agriculture to assist with access to duty free concessions.
2. **Levels of partnerships:** Potential local partnerships to provide state-of-the-art equipment/infrastructure that can be rented or leased to local and foreign investors.
3. **High-quality standards:** Prioritised training, workshops, and capacity-building as the regulators set up Barbados to be the first country in the region to develop specific qualifications for medicinal cannabis cultivation. Furthermore, the BMCLA is in the process of obtaining another qualification for medicinal cannabis extraction. This is added value for potential investors that want to participate in the local industry.

Dr. Munro-Knight explained: "We are seeking investors that are interested and willing to work with local partners and institutions so that they can have that value exchange. For the BMCLA, success looks like an industry that is inclusive. We want to ensure we have foreign investment but at the same time it is important that there are local Barbadians participating within the whole ecosystem of support. Therefore, inclusivity is not just another one of our core values, but it is key to success to both local and foreign investors alike."

Another opportunity offered to investors is the chance to participate without land or capital upfront initially – but there must be a robust and detailed operational plan presented, which must be followed through once in receipt of a licence(s). Additionally, investors seeking six of the eight licences automatically receive an import and an export licence providing the full complement into the industry.

However, research shows that there are some who are not yet swayed by the cannabis industry's near-term potential. These non-committal investors have concerns based on cannabis remaining illegal under US federal law and by extension the banking uncertainty.

Dr. Munro-Knight spoke on this concern: "There have been several positive movements in the USA at the federal level. We also see an increasing number of states moving to medicinal cannabis regimes. Our main challenge remains banking because we depend on international correspondent banking from the USA. However, we are very hopeful that once such SAFE Act reaches federal level it means that local banks will be open to the industry."

The BMCLA estimates that investments of US\$3 billion in the next five to seven years, could allow for the local medicinal cannabis industry to punch above its weight as it looks towards the potential roll out of the Bajan cannabis brand. And because the BMCLA is expecting an export-driven market to places like Europe, LATAM and Africa as well as the Canadian and US markets, early trends show that this expectation is possible, as shown via the initial local and international inquiries and application participation. Additionally, the regulator continues to work with international brokerage firms to showcase what Barbados has to offer. For investors eyeing the local Medicinal Cannabis Industry, the BMCLA is keen to assure investors that they can operate smoothly.



# Putting Our Energies In Renewables: Burying Fossils By 2030

Written by  
**KAREN PERREIRA**

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**Barbados is committed to being the first island state in the world to generate 100% of its energy from renewable energy sources by 2030.**

The Caribbean region is on the frontline of a war against climate change. Severe increases in temperatures and the intensity of natural disasters have demonstrated a need for revolutionary change. As a 2% increase in temperature is the difference between life and death, the people of Barbados cannot afford to be passive. Immediate action is necessary!

To counteract the effects of climate change, Barbados is committed to being the first island state in the world to generate 100% of its energy from renewable energy sources by 2030. With this transformational goal in mind, the Government implemented the Barbados National Energy Policy 2019-2030, which is geared towards the necessary development of a sustainable energy sector focused on the efficient production, distribution and consumption of renewable energy.

The transition from a petroleum-dependent economy reliant on the expensive importation of fossil fuels to a completely carbon neutral island state has created a rapidly growing renewable energy market with a wealth of investment opportunities in renewable energy systems and storage technologies.

## **Renewable Energy Systems and Storage Technologies**

Barbados' confidence in its bold transition to renewable energy

systems and technologies stems from its past success in the solar water heating industry with its development of solar technology. Today, eight years away from the 2030 deadline, Barbados has built on this success by expanding solar technologies to develop a solar photovoltaic energy system. The photovoltaic industry has become increasingly popular for residential and commercial purposes, especially in the tourism sector.

The increase in licence applications for individuals and companies interested in pursuing renewable energy business ventures are so far advanced that Barbados may reach its goal for solar photovoltaic energy well before 2030. It is therefore not a stretch to say that the solar photovoltaic industry is well on its way to becoming a primary industry in Barbados. The pace quickens with focus in the areas of storage and vehicle to grid (V2G) technologies.

In addition to the rapidly developing solar photovoltaic energy systems, Barbados is also developing other energy systems such as wind turbine, biofuel, hydropower, solar thermal and wave and tidal power.

## **Incentives for Investors and Consumers**

Barbados has introduced fiscal incentives aimed at investors and consumers to support the renewable energy industry.



These incentives include:

- Exemptions from import duties on renewable energy systems including wind turbine, solar photovoltaic, bio-fuels, hydropower, solar thermal and wave and tidal power.
- A 10-year tax holiday for developers, manufacturers, or installers of renewable energy systems and energy efficient products.
- A deduction of up to 150% on the amount of interest paid on loans for the construction or upgrade of a facility to enable the generation, supply and sale of electricity from a renewable source or for the installation or supply of renewable energy systems and energy efficient products.
- Exemption from withholding tax for 10 years on dividends earned by shareholders of companies solely engaged in the installation or supply of renewable energy electricity systems or energy efficient products.
- Exemption from tax for 10 years on interest earned by financial intermediaries such as banks, credit unions and finance companies, for financing the development, manufacturing and installation of renewable energy and energy efficient products.
- Fixed rates on the purchase of renewable energy sources by the Barbados Light and Power under the Feed-in tariff programme or the renewable energy rider agreement.

### Some noted requirements in Renewable Energy industry in Barbados

While there is ongoing work to improve the Renewable Energy Licensing regime, currently all licences issued for generation and storage are issued subject to the condition that a minimum of 30% of every renewable

energy project is owned, controlled and vested in a citizen of Barbados, or corporation or association organised under the Laws of Barbados, where the beneficial ownership is Barbadian. However, projects are not required to reach the minimum 30% Barbadian ownership until start-up, thereby allowing foreign investors time to get to know the players in the field while minimising delay of obtaining the licences. It is suggested the 30% ownership may include, but is not limited to, public offers of equity, convertible preference shares or digital securities.

Additional licence application requirements may be found on the website of the Ministry of Energy at [www.energy.gov.bb](http://www.energy.gov.bb) or under The Electric Light and Power Act. Policy and planning considerations are key to this developing industry and all stakeholders are instrumental in this process.



### The Future of Renewable Energy in Barbados

Barbados' Government is in the process of establishing a Green Investment Bank in the crashing fossil fuel industry to create new jobs and investment opportunities for the sector. It is the intention of the Government to partner with the international Green Climate Fund and it is expected to digitise operations within approximately 18 months.

The establishment of this bank is essential to the success of this industry in Barbados as several other island states have tried to 'go green' but ultimately failed because of lack of financial support for investors.

With the commitment to the renewable energy sector, Barbados will continue on its path to ensure that fossils remain buried and keep moving towards becoming the most developed small nation in the world.

# Leveraging Legislative Updates to Present Opportunities for Barbados

Written by  
**IKINS CLARKE**

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**Well focused legislative changes can reposition and ignite economic growth. Barbados, despite its limited resources, has been successful with this approach and should consider the same for the future.**

Many will say that the pandemic has opened doors for businesses to explore technologies that were previously not considered such as the transfer of information and the need for its imminence and relevance. Legislative changes can be used to initiate change and provide opportunities for Barbados.

For years, local and international legislative updates created various opportunities. The International Business Companies (IBCs) Act in 1965, saw the development of a buoyant international financial services sector (IFSS) attracting foreign direct investment. IBCs became Barbados' crown jewel, but this low tax regime was attacked by the Organisation for Economic Co-operation and Development (OECD) and other interest groups.

IBCs thrived for a number of years when the US Tax Reform Act was introduced, allowing US companies to establish Foreign Sales Corporations (FSCs) outside of the USA. Barbados leaped at the opportunity to expand its strategy, and this brought significant economic benefits to the island. It should be no surprise that the USA felt scrutiny by the European Union (EU) and World Trade Organisation, causing the USA to repeal the FSCs legislation, to the detriment of Barbados. Prior to the demise of the FSCs legislation, Barbados introduced its Societies with Restricted Liability (SRLs) Act in the mid-1990s, but it was not until the mid to late 90s that these vehicles gained popularity amongst US investors.

With a mature and sophisticated tax system, the presence of IBCs and International Societies with Restricted Liability (ISRLs) allowed for more effective international tax planning. In 2016, the OECD's Base Erosion and Profit Shifting project and the EU's review, deemed that Barbados was an "uncooperative tax haven". This was not in line with Barbados' ethos and the government sought to implement a series of legislative changes to defend the island's status. These changes included:

- Eliminating ring fencing through the repeal of the IBC Act and other deemed special regimes
- Converging tax rates between Regular Business Companies and IBCs/ISRLs

- Introducing economic substance requirements
- Agreeing to establish international tax reforms based on a two-pillar package.

Initially, these changes prompted panic through the IFSS, but the legislative updates offer several benefits and opportunities to local and foreign investors including multinationals. In the last few years, Barbados has been removed from several blacklists and built relationships with Ghana, Kenya and the United Arab Emirates.

Furthermore, the implementation of the Foreign Currency Permit (FCP) and amendments to the Income Tax Act now affords a company relaxed exchange control requirements. FCPs, in most cases, qualify for benefits granted by Barbados' 40 Double Taxation Agreements (DTAs). IBCs and ISRLs were considered to fall under a special regime and precluded from the benefits under many of Barbados' DTAs. Recent legislative changes now facilitate all Barbados companies to qualify for:

- the same scaling tax rates of 5.5% to 1%
- 0% withholding tax on payments of interest, royalties, management fees
- reduced withholding tax (0% to 5%) on dividends
- reduced VAT rate.

There are some amendments in the pipeline that can boost economic activity, e.g., Barbados can implement Special Economic Zones to increase trade, employment and infrastructural investment. There is a view that legislative changes in Barbados can incentivise investors to:

- Jump start the medicinal cannabis industry
- Explore research & development opportunities
- Enhance sports and cultural entrepreneurship
- Channel resources to reduce Barbados' carbon footprint
- Invest in diaspora bonds.

Well focused legislative changes can reposition and ignite economic growth. Barbados, despite its limited resources, has been successful with this approach and should consider the same for the future.

## CASE STUDY

# AMICORP

Amicorp Group has established itself as a leading global service provider, offering multi-level business critical solutions to global corporations, international advisory groups, financial institutions, investment firms and family offices. At Amicorp, we provide personalised service, tailoring our offerings to the needs of our clients.

Since establishment in 1992, we have focused primarily on emerging markets, where we strive to be the best provider of services.

Barbados has a critical mix that makes it a leading international financial centre. This includes a sound economic substance framework geared towards attracting business headquartering and operations.

Other selling points include a stable political, social, and economic environment, a well-educated and trained workforce, a tax system that provides numerous benefits through a wide-ranging double taxation treaty network, transparency and exchange of information and a robust

regulatory system with strong Anti-money laundering/ Combating the Financing of Terrorism rules.

Amicorp has successfully tapped into the strengths of the Barbados market for almost 20 years.

Amicorp (Barbados) Ltd. was incorporated on February 11, 2002 to facilitate management of the growth of our clients' portfolios.

Amicorp Bank and Trust Limited produces a highly efficient synergy within the Amicorp Group of companies in banking and financial services. It is a focal point for financial services with offerings including multi-currency deposit and investment accounts.

Amicorp Fund Services N.V. (Barbados) establishes mutual funds in Barbados and offers fund administration services.



# Global Minimum Tax Hits Barbados Shores

Written by  
**MARIA ROBINSON**

Several years ago, as a globally recognised tax policy forum, the Organisation for Economic Cooperation and Development (OECD) began efforts to adjust international tax rules to consider the disruption of digitalisation that had blurred territorial lines beyond recognition.

The OECD launched the Base Erosion and Profit Shifting Action Plan, made up of 15 actions aimed at preventing international companies from evading tax.

Action 1, “Addressing the tax challenges arising from the global economy”, is a two-pillar plan to reform international tax rules so as to prioritise fair taxation in a digitised global economy. Out of 141 Inclusive Framework (IF) member jurisdictions, 137, including Barbados, have signed on.

Pillar One is a set of proposals aimed at, but not limited to, companies with highly digitalised business models, for example: Automated Digital Services and Consumer Facing Businesses.

But it is Pillar Two that is of greater concern to the international business sector in Barbados. Under this pillar, the IF members have agreed to introduce a global minimum corporate tax rate of 15%, which is estimated to generate nearly US\$150 billion in additional global tax revenues annually.

Companies with global turnover above EUR €750 million will be within the scope of Pillar Two, with headquarter jurisdictions having the option to apply the rules to smaller, domestic Multinational Enterprises. It is expected that benefits will arise from the stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

There has been significant dialogue on whether Pillar Two would further erode the attractiveness of low tax jurisdictions like Barbados. In recent years, aspects of the Barbados tax regime were deemed potentially harmful by the OECD and the country was subject to negative listings by the European Union.

The island has since reformed its tax regime to enshrine fairness and compliance, while maintaining its competitiveness as an investor-friendly jurisdiction. But Pillar Two is now seen by some as a threat to Barbados’ marketability as an investment jurisdiction of choice, owing to yet another change in Barbados’ tax regime including the possibility of changing the corporate tax rates to keep up with the Pillar Two recommendations.

In a strategic move, the Government of Barbados joined the “Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy” in August 2021.



This allowed the island to have a seat at the discussion table as a member of the IF.

The Government of Barbados is expected to finalise its position on the implementation of Pillar Two soon. In the interim, stakeholders continue to focus on methods through which Barbados could demonstrate its agility and remain competitive in a world with a Global Minimum Tax.

To these ends, a number of revenue neutral factors/ measures have been identified which can continue to attract legitimate foreign direct investment:

1. Provide entities with real substance with access to “carve-out” rules to reduce the top up tax
2. Offer effective incentives such as research and development grants and cash grants on capital expenditure investments
3. Build a knowledge-based economy and innovation hub
4. Substantially improve the country’s rating on the ease of doing business
5. Gain momentum on a robust digital economy in keeping with the quickly evolving business environment
6. Focus marketing on multinational enterprises with global turnover less than the prescribed Global Minimum Tax applicability threshold
7. Expand the bilateral investment treaty network to encourage foreign investment.

The Pillar Two deliverable has a clear timeline that covers a series of multifaceted steps until the end of 2022, with target implementation by 2023. With so much uncertainty surrounding how Pillar Two may impact developing countries like Barbados, this target may appear ambitious. However, the next few months may see a significant build up in momentum as governments worldwide seek to align their legislation with the Pillar Two recommendations while continuing to put steps in place to maintain the attractiveness of their jurisdictions to foreign investors.

The evolution of international tax rules is inevitable. Tax base, tax policy and tax administration amongst other things, have begun to supersede tax rates as factors critical to making a jurisdiction attractive from an investor’s perspective.

The new avatar of tax competition is a reality hard to miss. More than ever, countries like Barbados must proactively construct their tax systems and policies to drive foreign investment.

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# Barbados Stock Exchange: Redefining Incumbency Through Innovative Redesign

Written by  
**MARLON YARDE**

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**The BSE's goal is to become CARICOM's preferred exchange; this pursuit continues unabated... The BSE has pursued the strategy of procuring 'exchange recognitions' that continues to draw interest from global prospects.**

The global pandemic has caused tremendous introspection for individuals, businesses and governments alike. This was certainly the case for the Barbados Stock Exchange (BSE) as we experienced everything from shifts in operational consistency due to the often-dynamic changes in national protocols, decreases in trading volumes due to material disruption(s) in the lives of investors and strategic repositioning due to the activation of a new line of business. However, rather than debilitate our operations as a going concern, these factors have only fuelled the BSE to embrace digital innovation like never before.

## Digital Trading & Digital Assets

The BSE launched a new trading platform on September 6, 2021. This platform replaced our existing technology and will further enhance our market offerings through the pending provision of a mobile application. Our goal is to provide greater access to our markets by allowing investors to:

- 1) easily access their account information; and
- 2) execute transactions from their mobile devices.

The BSE is also working on another trading application that will cater to the growing proliferation of digital assets – primarily 'security tokens'. A digital pilot has already been completed with key staff, brokers and our regulator. All that remains is structuring commercial arrangements – our intention, ultimately, will be to offer digital assets as investment opportunities in 2022 and beyond.

## New Business Line: Custodian Trustee Services

In support of the aforementioned trading platforms, the BSE will also leverage the in-house technologies from our subsidiaries – the Barbados Central Securities Depository Inc (BCSDI) and the BCSDI Custodian Trust Services Inc (BCTSI).

BCTSI, in particular, was created on January 28, 2021, as a wholly owned subsidiary of the BCSDI. It is specifically designed to deliver dependable and cost-effective custodian and trustee services to market actors in the financial services industry. The genesis for its launch was the result of the commercial exit of a local company in 2020 from the Custodian and Trust services market. This created a clear market void, for a slew of corporate clients, that were in sudden need for a licensed custodian to



manage assets previously held in trust. Fortunately, upon review by the BSE, we recognised that several similarities existed between the nature of this business and that of our subsidiary: BCSDI – a Registrar and Transfer Agent service provider with over 23 years of experience. BCTSI is an example of an opportunity that arose during the midst of the pandemic and while still nascent, has already shown signs of its upward trajectory. It will be a significant player, like its counterparts within the BSE Group, within the capital market of Barbados.

### Market Development: Exchange Recognitions Continue to Drive Interest

The BSE's goal is to become CARICOM's preferred exchange; this pursuit continues unabated. Our value proposition is buttressed by our literal domiciliation: Barbados offers a stable political and economic environment, and our legal system is based on English common law.

The BSE has pursued the strategy of procuring 'exchange recognitions' that continues to draw interest from global prospects. Our International Securities Market has been gaining momentum, and we continue to field a number of queries on listing opportunities. It should therefore be noted that the BSE is presently designated as a "recognised stock exchange" by Her Majesty's Revenue and Customs in the United Kingdom (UK). This designation serves as a functional prerequisite that enables the BSE to provide UK issuers and investors with additional international opportunities. We are pursuing a number of further recognitions in key markets around the globe.

### The Future

The BSE is committed to redefining its incumbency through innovative redevelopment for the benefit of our stakeholders. We stand ready to answer your market inquiries; we stand ready to support your global business.

## CASE STUDY

### Tokenise

#### The Tokenise Stock Exchange: A complete solution to Digitise and Trade Assets

The Tokenise Stock Exchange (Tokenise) provides a complete solution to digitise and trade assets, from traditional assets such as stocks, bonds and funds to alternative assets such as fractional ownership of real estate, artwork and royalties. With our licensed exchange Tokenise, regulated by the Financial Services Commission in Barbados, we are providing a marketplace where investors can buy and trade these assets in tokenised form and create a 'new ownership exchange'.

Small and medium sized enterprises (SMEs) and non-traditional ventures are faced with significant barriers to obtain funding through traditional capital markets. Challenges that can be observed across the board are: high cost of initial public offerings, compliance and fees, lack of diversity in asset classes and scarcity of risk capital. SMEs are the lifeblood of all economies but are significantly underserved by traditional

stock exchanges. Technological advancements and innovation in recent years have provided a solution to this dilemma and changed the way ownership can be digitised and transferred in a more frictionless environment through tokenisation.

Tokenise has positioned itself as one of the global pioneers in creating a marketplace dedicated to tokenised securities for an industry that is expected to digitise trillions worth of assets in the coming years. To execute this vision, Barbados has proven to be the ideal environment with an easily accessible financial regulator, a highly skilled workforce and excellent international business infrastructure to set the foundations for global growth. By democratising ownership and access to assets that were previously only accessible to certain groups of investors, Tokenise is poised to create the next generation of capital markets from our sunny shores in Barbados.

# Solving Scalability for Segregated Cell Companies

Written by  
**DARREN TREASURE**

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With a resurgence of interest in captive insurance globally, cell captive structures, referred to as Segregated Cell Companies (SCCs), are poised to benefit from this wave of renewed attention.

The benefits of SCC structures including quickly setting up a captive structure with economies of scale and the ability to hit the ground running, fits the culture we often find in today's corporate world of growth and personalisation.

SCCs share services across the cells in underwriting capital, accounting, regulatory submissions, etc., offering a scalable solution for both the captive owners and the insurance managers running the structures. However, managing the assets of individual cells with individual risk, liquidity and duration profiles can fall short of the 'scalability' that other parts of the business require.

As every cell captive owner has his/her own investment objectives and tolerance for risk, it makes sense that each cell is going to have a preference for different investment approaches and investment managers. Insurance managers are often left managing a complex web of different banking and investment management relationships - all of which have their own standard of reporting (for better or worse),

deadlines, investment funds or products, etc. Such complexity counteracts the economies of scale that the SCC structure has, creating a lose outcome for both the insurance manager and the cell captive owner.

You can see how asset management complexities rapidly start to unravel the scalability of the SCC structure.

## Varied Investment Solutions

The SCC offering does not have to be a particular fund, investment product or strategy but can take the form of investment, reporting and banking solutions rolled into one. Each cell within a larger SCC structure can invest in a segregated portfolio (or separately managed account) tailored to their own risk and liability profile but still benefit from the same services and fees a larger captive might enjoy.

Investment managers should actively adjust the portfolio to ensure the cell only takes the level of risk that is appropriate for that particular client. At face value, many cells might bear resemblance to one another in terms of the amount of money they have to invest, however, their underwriting and claims experience, likelihood of claims, cash and liquidity requirements will vary greatly. Most importantly, the risk appetite of the cell owner will be the driving force for structuring a portfolio to efficiently capture all these differences. Effectively, small cells are treated in the same way as



large, standalone or group captives - creating an investment strategy that resonates for each cell, regardless of its stage of maturity, size or its owner's risk/return preferences.

The establishment of the segregated portfolio follows the same process that would be undertaken with any other client. That is, understanding their risk profile, underwriting business and investment objectives before agreeing to a suitable asset allocation and constructing a portfolio of individual stocks and bonds that represent a good balance between capital preservation, liquidity and reasonable rate of return.


Segregated cells also benefit from the management, discipline and investment governance applied to all client portfolios. Managers work with clients designing investment guidelines, providing monthly performance reviews, giving clients direct access to the internal team of

insurance investment specialists and participating in Board meetings to understand the company's outlook.

### Reporting Solutions

While cell owners need timely, informative performance reporting, insurance managers and cell sponsors need much more than a fund factsheet. They need reliable and accurate consolidated reporting on compliance, accounting, performance and risk across the SCC, which should be delivered in an easy-to-use format with figures that aren't trapped in a PDF!

Effective solutions exist for segregated cells that allow for maximum investment flexibility for all cell owners while retaining the simplicity of a single investment reporting platform - allowing all to benefit from economies of scale, regardless of the varying size and requirements of each individual cell.

  
**You can see how asset management complexities rapidly start to unravel the scalability of the SCC structure.**

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# Unlocking the Payments Space in Barbados

Written by  
**SADIE P.O. DIXON**

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**Fintech companies have been advocating for many years, eager to launch creative solutions in a safe space for individuals and businesses.**

Globally, payment systems have undergone radical changes over the last decade and have witnessed the entry of ingenious new payment methods at a rate of innovation that many commentators have signalled as unprecedented. Barbados is no exception.

With the advent of the National Payments Systems Act 2021-1, (the Act) which became law on March 3, 2021, though not yet proclaimed, Barbados established an enhanced framework for fintech companies and other innovators to operate alongside traditional financial institutions within a bespoke regulatory environment.

The Act, and the several companion regulations that will soon become law, are expected to give legitimacy to the innovators. This modernisation of the payments infrastructure positions the Central Bank as the core regulator and the body entrusted with the maintenance of financial stability, to lead this charge. The Bank is thus at the forefront of this initiative to ultimately ensure that the public can conduct its financial transactions with a wider choice and in an environment that is tested, safe and regulated. The enabling framework will be deliberately nimble and accommodating of the fast pace of the movement of technology that underpins the payments architecture.

Fintech companies have been advocating for many years, eager to launch creative solutions in a safe space for individuals and businesses. This would undoubtedly improve the speed of doing business and open new avenues for earnings and growth in the economy.

How does the Barbados model measure up to global standards? Have we been able to “right size” our regulations in a way that will not stymie business but yet protects consumers? The foundation for a safe and efficient payment system, according to the Bank for International Settlements, is trust in money. Does this new Payments Act enshrine this foundational requirement within its framework? Will businesses and individuals feel safe using the new solutions that are seeking to revolutionise this space? The answer to these questions is a resounding yes!



In examining how Barbados measures up, an examination of first world countries demonstrates that they have adopted varied approaches to the regulation of the contributors in the payments space. Some have allowed for a measure of self-regulation while others have a tight rein on market conduct and a risk-based regulatory approach. For example, in Canada, Payments Canada is responsible for the country's payment regulation and that body is building the foundation for the next generation of payments to ensure that the Canadian consumer and business needs of more control, speed, convenience and affordable payment methods are met. They have also launched a new large value, critical and time sensitive payment system known as Lynx which is intended to be the necessary precursor to this fast, data-rich large value system that will further enable payment innovation in Canada.

Barbados too, has recognised the importance of tweaking its underlying, or so called "back end", yet critical payment mechanisms and is in the process of the modernisation of its Real Time Gross Settlement (RTGS) System. The RTGS is at the heart of the speed, accuracy and finality of both wholesale and retail settlements. The proposed changes will underpin the efficient functioning of the payments system. New regulations are expected to address these changes

and establish transparent and efficacious mandates for its functioning. Improvements are also underway for the functioning and rules of the Automated Clearing House to facilitate real time direct transfers and to allow greater penetration of mobile wallets. Together, these changes will have positive implications for financial inclusion of the underbanked.

Some of the thornier matters like market conduct issues in Barbados ought to be addressed frontally and this is high on the agenda at the policy level. Other revolutionary matters include the establishment of a Payments Council with wide powers to guide the Central Bank in its determinations on best practice for Barbados, and new thrusts in cheque imaging as a way to increase the speed and ease of value exchange.

The immediate future is thus brimming with possibilities and new and exciting payment options. I commend and salute the work and foresight of persons in both the public and private sectors in establishing the framework for the already mentioned innovations. Barbados is creating a payments space that is dynamic, well-regulated, fully inclusive and competitive.

Ms. Sadie Dixon is Legal Counsel with the Central Bank of Barbados. The views expressed herein are solely those of the author.

# Protecting Personal Data in a Compliance Era

Written by  
**AVA-MARISSA LEE AND  
DEIDRE MARQUEZ-PADMORE**

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**There must now be a concerted effort to achieve a balanced approach to protecting personal data without impeding the measures needed to identify and dismantle elements of financial crime.**

The COVID-19 pandemic has catalysed the rapid pace of automation, digital transformation and innovation at an unprecedented rate across the globe. As Barbados grapples with the effects of the pandemic, its e-government strategy evinces a strong commitment to embracing digital transformation of the public sector administration and a trend towards the overall improvement in the quality and efficiency of its services.

In keeping with its reputation as a global business hub, Barbados recognised the need to regulate the use and protection of personal data and the privacy of individuals through the proclamation of the Data Protection Act (DPA), 2019 in March 2021 and the subsequent announcement of the appointment of its first Data Protection Commissioner effective July 2021. But as corporate entities and individuals continue to navigate an era of increased legal and regulatory requirements, the advent of the DPA may be perceived as yet another insurmountable compliance exercise.

Every Barbadian resident, association and corporate entity engaged in obtaining, recording, consulting or disclosing information relating to an identifiable or identified individual, is required to comply with the DPA and ensure that the individual's

information is:

- processed lawfully, fairly and transparently
- accurate and adequate for the specific purpose for which it is obtained
- retained for no longer than necessary
- processed, stored and shared in a manner which guarantees appropriate safety for the individual's privacy.

The Money Laundering and Financing of Terrorism (Prevention and Control) Act (MLFTA), 2011-23 requires financial institutions and service providers across Barbados' business landscape to perform customer due diligence and Know Your Client procedures, which naturally involve the collection and verification of personal data. However, rigid interpretation and application of data protection principles in relation to the collection, use and retention of personal data, could give rise to discord. There must now be a concerted effort to achieve a balanced approach to protecting personal data without impeding the measures needed to identify and dismantle elements of financial crime. General compliance with MLFTA requirements and procedures must therefore work in tandem with the legal obligation to respect the rights and privacy of individuals in relation to their personal data.





It will be vital for businesses and service providers to harmonise their approach to achieving simultaneous compliance with anti-money laundering and data protection requirements from a risk perspective. By ensuring that internal rules and operating procedures clearly establish the lawful basis for processing personal data, and by reviewing existing security measures for protecting data, entities subject to the requirements of the DPA can more adequately determine an appropriate compliance framework having regard

to the nature of their business and the volume of data being processed. Safeguards should be implemented to limit internal access, tighten data storage and data sharing policies to guarantee adherence to the DPA.

While the criticism has been made that the European Union's General Data Protection Regulations (GDPR) appear to fall short in managing the potential clash between data privacy rights and anti-money laundering safeguards, the DPA seems to contemplate the

need for consistency across these two fundamental regulatory regimes. Much like the GDPR, the DPA allows for processing personal data where it is necessary for the compliance with a legal obligation, presumably such as obligations to collect customer due diligence under the MLFTA. However, in the context of detecting criminal activity, Section 31 of the DPA goes a step further to create an exception to the principles governing the processing of personal data, to the extent that prevention or detection of crime takes precedence over some provisions in the DPA such as those relating to the lawfulness of processing personal data, the prohibition against the use of sensitive personal data (inclusive of financial records), and rights of individuals to request details of processing or erasure of their personal data.

Looking ahead towards the digital future, Barbados, through its implementation of a robust DPA framework alongside its existing MLFTA requirements, establishes itself as a jurisdiction that places dual importance on effectively combating financial crime while simultaneously safeguarding data privacy rights.

## PLANNING FOR FUTURE GENERATIONS



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# ESG Investment: An Attractive Option

Written by

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From the introduction of the initial investment concept by former United Nations Secretary General Mr. Kofi Annan in 2004 to present day, the significance of Environmental Social Governance (ESG) continues to develop.

## What is ESG?

ESG represents the non-financial pillars used to assess a corporation's sustainability and social impact.

*Environmental* addresses how a corporation's operations impact its environment and how it reduces or mitigates against resulting negative effects. Mitigation efforts are peculiar to each business, and range from reduced water and electricity usage, use of renewable energy and reduction of pollution and carbon emissions.

*Social* focuses on a corporation's humanitarian efforts, from labour relations to relationships with the communities within which it operates. Implementation of employee health, wellness and diversity programmes and community initiatives such as donations to charities and sponsorship of community activities demonstrate a business' social commitment.

*Governance* addresses performance at the corporate level. It includes transparency, director responsibility and behaviour, as well as implementation of anti-money laundering and anti-terrorism policies.

Positive strides for this pillar can include the implementation of a code of ethics at the Board level, compliance policies and training.

## Why does ESG matter?

Gone are the days when business performance was measured solely by financial performance. Nowadays, shareholders, investors, lenders and rating agencies are equally focused on ESG performance. ESG investment has also risen to almost US\$40 trillion<sup>1</sup>. ESG scores therefore matter to investors and many global corporations now have ESG officers. Surveys conducted following mass employee resignations during the COVID-19 pandemic, reveal that employees are focused on the employer's social performance and are leaving companies that are neglecting areas such as equality, employee work-life balance and flexibility.

ESG should be a focus of every business irrespective of size. Increasingly, local businesses have been following ESG principles, implementing programmes such as in-office recycling, charitable donations, community volunteering, focus on staff wellness and mental health and compliance training.

## Scoring high on the ESG scale

Investors want to invest in countries scoring high on the ESG scale. Along with the private sector, Barbados can, at a national level, enhance its ESG appeal to foreign investors. Barbados has garnered much exposure from Prime Minister, The Honourable Mia Amor Mottley's address at the recent COP26 Summit and her receipt of the United Nations' 2021 Champions of the Earth Award for her advocacy

on climate change. The island has demonstrated environmental sustainability through initiatives such as the ban on single-use plastics and the development of the alternative and renewable energy sector. There has also been growth in foreign and local investment in photovoltaic systems. The rise in popularity of the Green Bonds presents a great opportunity for investment in this area.

Significant strides have been made to enhance governance principles, including recent legislative amendments that require timely disclosure of beneficial ownership changes by companies or they face heavy penalties. Additionally, audits of businesses by regulators to ensure compliance with anti-money laundering guidelines have increased.

## ESG Growth and the Barbados Attraction

Tax incentives for high scoring ESG entities and legislation requiring adherence to ESG principles as a condition for development licences and permits, are areas for further exploration. The focus on economic substance and more recently on a global minimum tax rate are matters that are or will engage the attention of all local and international entities in Barbados and increased ESG activity by corporations and the government can potentially help to address these issues. With the public and private sectors both taking initiatives in areas which directly contribute to ESG growth, this not only makes Barbados a better place to live and work, but equally an attractive country for investment and finance.

<sup>1</sup> OECD (2020), OECD Business and Finance Outlook 2020: Sustainable and Resilient Finance, OECD Publishing, Paris, <https://dx.doi.org/10.1787/eb61fd29-en>

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# Your Place is in Barbados

## A Welcoming Investment Climate Awaits

**One of the highest-ranked developing countries on the UN's Human Development Index, Barbados has:**

- ✓ a desirable quality of life
- ✓ a longstanding record of political, social and economic stability
- ✓ an excellent education system
- ✓ healthcare that's amongst the best in the Caribbean
- ✓ direct connections to major international cities
- ✓ world-class telecommunications
- ✓ other reliable utilities island-wide

As a mature jurisdiction with a commitment to international best practices, we have built a strong foundation of treaties, anchored by effective laws and transparent policies and procedures, including a robust structure to enhance your global competitive advantage.

Home to an expanding roster of more than 4000 transnational entities, the Barbados landscape is vibrant and brimming with opportunities – spanning the traditional sectors to the emerging, with much to offer. Let our team at Invest Barbados be your guide – from exploration to business establishment and expansion. Invest Barbados is positioned to ensure that *Barbados works for you!*

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