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Welcome to the 2012 Edition



Barbados has much to offer companies seeking an International Financial Centre (IFC). These benefits include a modern and flexible corporate legal framework, extensive Double Tax Treaties, a pool of qualified Barbadian accountants, management professionals and lawyers, and daily direct flights to

and from Toronto, New York and the UK. With legislation covering International Banks, Captive Insurance companies, Trust and International Business companies, Barbados is the IFC of choice for Canadian-owned companies.

During 2011, the Government gazetted the Financial Services Commission Act 2010-21, the International Corporate and Trust Service Providers Act 2011-5, the Money Laundering and Financing of Terrorism (Prevention and Control) Act 2011-23, as well as minor amendments to the Companies Act. More legislation is planned for 2012, including a Private Trust Companies Act, a Foundations Act, a new Mutual Funds Act incorporating hedge fund provisions, and further minor amendments to the Companies Act.

The coming year will be challenging for IFCs, due to a continuation of low economic growth and the effect of the Global Financial Crisis,

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International Business companies,
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but opportunities do exist to market Barbados as an IFC to our traditional markets, and in Mexico and South America.

Now in its fourth year, we are pleased to present the 2012 edition of Barbados International Finance & Business. We hope you enjoy reading the magazine and consider Barbados as your IFC domicile.

We invite you to send any comments and suggestions to bifb@investbarbados.org.

James Gardiner



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MESSAGE FROM THE HON. CHRISTOPHER P. SINCKLER, M.P. MINISTER OF FINANCE AND ECONOMIC AFFAIRS

Welcome to the fourth edition of Barbados' International Finance & Business magazine - 2012 is shaping up to be a promising year for international business!

The dynamics of the global economic landscape present unique and interesting opportunities for firms and governments worldwide. Those who are agile, flexible and responsive enough will be best positioned to take advantage of the rewards that such opportunities present.

Your focus, I am sure, continues to be the exploration of opportunities to maximise global competitiveness and, ultimately, improve return on investment – investment in innovative ideas, new facilities and processes. For our Government, it is to enhance national competitiveness by ensuring that Barbados' investment climate supports sustained economic growth and development, both at the micro and macro levels. For us, the attraction of foreign direct investment is pivotal to the achievement of this goal, and so, in my view, and a very real sense, there is a mutually rewarding symbiotic relationship to be developed from the shared objectives of private and public enterprise.

It is probably true that, without exception, governments, investors and other stakeholders worldwide have welcomed the forecasts in the most recent World Investment Report that global investment flows will continue to recover from the throes of the recent recession. In fact, the outlook is very encouraging, as investment flows are now set to reach pre-crisis levels of US\$1.9 trillion by 2013. Similarly, policy makers have embraced with keen interest the continued strengthening of the global economy.

In our case, the Barbados economy is set to hold its own, although marginal growth has been forecasted 2011. Much of our fuller recovery will rely heavily on the performance of our key foreign exchange earning sectors – international business and tourism. In the case of our international business sector, while competition for new investment is increasing, we are confident that our efforts to further improve our business climate will not only attract new players to our jurisdiction, but also encourage existing investors to expand and consolidate operations. Last year, for example, while most competing domiciles recorded declines in the attraction of new business, we registered growth in international insurance and

international business companies of 5% and 7% respectively. As at the half-year in 2011, new international business registrations are up over 40% on the previous year.

Our Government is keen to augment the Barbados value proposition. It is well known that the careful and effective supervision and sound regulation of the international business sector are critical components of our Government's policy. Poised to boost Barbados' competitiveness, the Financial Services Commission was established in April 2011 and its mandate is the efficient regulation of the non-banking financial services sector. Through the effective discharge of its functions, public confidence both in the regulation of the non-banking financial services sector, as well as in the operations of these institutions, will increase.

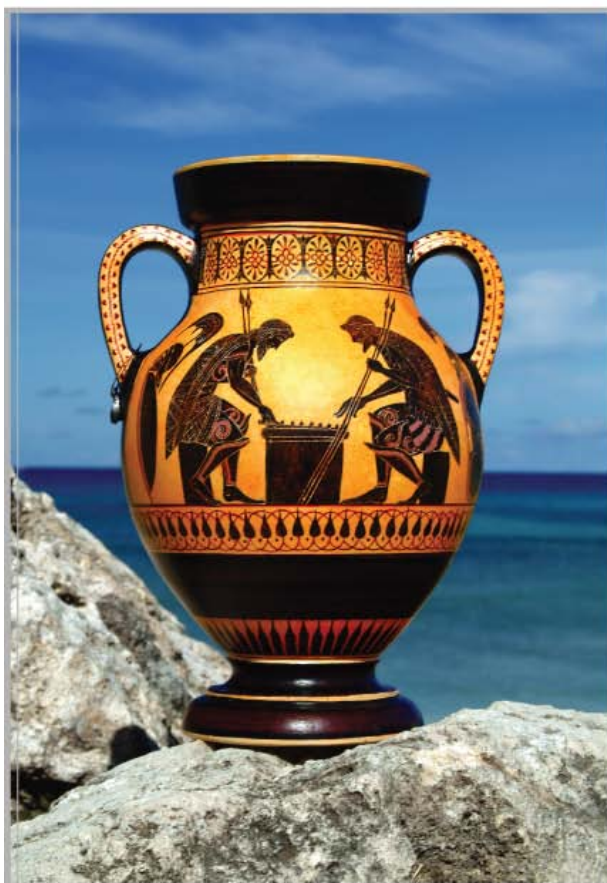
Our Government's efforts to expand our product offerings go further. Plans are under way for the establishment of an International Securities Market. The business case and relevant memorandum of understanding have already been prepared.

These initiatives, coupled with the ongoing expansion of our treaty network, creation of an alternate treaty negotiating team, commitment to transparency, implementation of legislative upgrades and decisive action on Organisation for Economic Co-operation and Development issues, will strengthen Barbados' recognition as a proactive and progressive international financial services centre.

Barbados is committed to being the preferred place to live, invest and do business in the Caribbean. We are also focussed on becoming the greenest economy in the Caribbean and Latin America. We will purposefully ensure that Barbados continues to offer an investor friendly location that facilitates both international and domestic business, while sustaining national prosperity.

Are you aiming to increase your global competitiveness in 2012 and beyond? If so, I encourage you to explore the opportunities that Barbados offers, confident that you will find Barbados to be a quality jurisdiction that works to your advantage!

The Hon. Christopher P. Sinckler, M.P.
Minister of Finance and Economic Affairs



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Barbados: Preparing for the Future



Firstly, welcome to our fourth issue of the Barbados International Finance & Business magazine. Sadly, we are still in recessionary times and threatened by yet more international debt crises, so that investors continue to be nervous, and therefore still cautious. They also continue to

evolve their jurisdictional planning criteria, in the face of shifting public opinion on how Corporations do business internationally, and continued pressure from the G-20 and the Organisation for Economic Co-operation and Development (OECD) on the use of International Finance Centres.

How, then, is the Barbados jurisdiction likely to evolve in the coming years to stay ahead of the curve?

To put that into context, our current research tells us that an analysis of today's investor vs. tomorrow's investor looks something like this:

Today	Tomorrow
Low tax a key factor	Low tax less important
Light regulation preferred	High quality, right sized regulation sought
Reputation moderately low on list	Reputation high on the list
Business facilitation important	Business facilitation critical
Lifestyle quality secondary	Lifestyle quality more important
Cost of doing business important	Cost can be mitigated by quality
Tax and Investment treaties important	Large treaty network more important

In moving to meet those identified business preferences, Barbados has established a new regulatory body, the Financial Services Commission, aimed at improving the regulation of non-bank financial institutions, and we have further strengthened our already strong Anti Money Laundering legislation. New legislation to provide for Private Trust Companies and for Foundations should be introduced early in 2012 and, in that same time frame, the Mutual Funds Act will most likely be repealed and replaced by a new Mutual Funds Act, which will also recognise sophisticated investors. Several changes to the Companies Act and Income Tax Act are already in line, in order to make it easier to do business in Barbados.

On the international scene, we remain a white-listed country in the OECD's eyes, but have been struggling to convince the Global Forum Peer Review Group assessors on the legal basis of our legislation enabling tax information exchange - which is what Phase 1 assessment is about. It matters not that we have been exchanging tax information with treaty partners for years, as the practical ability to collect and exchange tax information is what Phase 2 is about.

Barbados has adopted the OECD international tax standard, and will do all that is necessary to comply with their requirements. We expect that by late February 2012, when the next meeting to review progress is scheduled, Barbados will be fully compliant with both Phase 1 and Phase 2.

The other major thrust in the Barbados jurisdiction is treaty network expansion. As of January 1 2012, Barbados will have Double Taxation treaties signed with 34 countries and discussions have commenced with a further 24 countries, and our treaty negotiation team has been expanded to accommodate an accelerated negotiation timetable. The Investment Protection Treaty Network will also be expanded wherever possible, as we continue to enhance the flexibility of the jurisdiction.

Finally, we continue to focus on improving facilitation in Barbados, as well as our infrastructure for business. Invest Barbados will work closely with the Barbados International Business Association and Government agencies to aggressively improve response times, and with telecommunications companies to increase the broadband capability. The Barbados Entrepreneurship Foundation is already well advanced on its goal of having free wi-fi access anywhere on the island, underscoring the Country's collective commitment to demonstrate that as investors, you can not only enjoy the quality of lifestyle that we have to offer, but you can run your global business from Barbados while doing it.

Wayne Kirton
Chief Executive Officer
Invest Barbados

Barbados: Your Partner in International Business

BY DR. TREVOR A. CARMICHAEL, Q.C.

When, in the 18th century, Lord Chesterfield, in his Letters to His Son, safely advised that "Dispatch is the soul of business and nothing contributes more to Dispatch than Method", he provided both an ideal type mantra as well as a framework not only for his son, but also for all who seek to maximise the benefits of business interaction and exchange. In the vibrant 18th century, Barbados, as an international business partner, engaged with its mother country Britain in the trade of sugar at an unprecedented level of excellence and mutual enrichment. As the latter half of the 20th century emerged, it successfully mirrored the model used by all of the leading jurisdictions as they sought to attract internationally mobile capital through the use of special tax and other incentives.

The 21st century has accelerated jurisdictional competition as the international regulatory bodies - and ipso some of the larger jurisdictions themselves as members - have produced adverse reports and studies focussed on the vibrant policies of the smaller international financial centres. The evolving 21st century international business landscape represents a colliding and sometimes coalescing set of interests. The mix is myriad, for it includes the international regulatory bodies, national governments of both the old metropolitan countries as well as the "new" international financial centres, the professional elites in the particular jurisdictions, and indeed, the respective clients broadly defined. The interests and demands may on occasion be mutually beneficial and at times may conflict. However, perceived advantage is not static. It will vary as the international financial landscape changes and reacts to the malleable and ongoing international regulatory ethos, to new and amended national legislation and, more critically, to the methodical "lobbying" at the government and private sector level by the previously mentioned relevant actors.

This current complex international landscape of competing interests and an appetite for international regulation will continue to characterise international business in the next ten years. The

landscape will be further brushed in a fulsome manner, since the trend of major unauthorised trading events in international investment banking has now gathered dangerous and full momentum. Daiwa Bank (1995) \$1.1 billion, Barings Bank (1995) \$1.3 billion, Sumitomo Corp (1999) \$2.6 billion, Société Générale (2008) \$7.16 billion and the recent September 2011 UBS announcement of an alleged \$2 billion loss in unauthorised trades, will cumulatively add to major regulatory changes in the global banking industry. One potential area will possibly be the segregation of investment activities of banks from their core banking responsibilities. The new Tax Information Exchange protocol as a marketing tool will therefore become even more critical as part and parcel of these developments and of this dynamic process as a whole. Its presence will deliver surprises to those jurisdictions which do not appreciate the changing landscape, and benefits to the others which creatively use the new protocol or any equally potent statutory alternatives.

Barbados, in this environment, requires a refreshed Charter of Business, which, not unlike the old 18th century Charter of Barbados, must embody swift and deft action so as to redefine its direction and thereby maximise the benefits of global partnerships. A new Barbados International Business Charter 2012 will indicate current challenges and proposed solutions, together with clear timelines. January 2012 will likely be set as the launch and April 2012 as completion of the many near term goals.

The speed of such action will indicate sincerity of purpose, inhibit flight of capital to eager competitors, and will also ensure that the jurisdiction's standard of living thrives and survives. Indeed, the letters of Chesterfield to his son should act as a reminder that nothing contributes more to Dispatch than Method, and also as an inner resource while Barbados seeks to remain a true and tested partner in International Business. ✱



CASE STUDY – AMPHORA FINANCIAL GROUP

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Two Montreal families established the Amphora Financial Group in 2006, when Amphora Bank & Trust Corporation and Amphora Life Insurance Company Limited were licensed and incorporated. In January 2007, the Group acquired two management companies and renamed them Amphora Captive Insurance Managers Limited and Amphora Management Services Limited.

The Bank was established to provide investment management services for the family's wealth and to provide trust services to third-party clients. The Life Insurance Company was established

to offer compliant life products to the Canadian market in a cost effective manner, providing a broader platform of investment products, at a higher return than normally achieved in the traditional Canadian life insurance industry targeted at the high net worth client. The acquisition of the two management companies complimented the other business activities of the Group and allowed us to provide a wider range of business services to our global clients.

The success of our Bank and two management companies is driven by a group of highly trained, local professionals, who deliver an excellent

service on a very cost competitive basis, and who go beyond the normal expected service level to ensure our clients receive advice in all aspects of their business. The Barbados Tax Treaty network has also been a critical component of our success, enabling our clients to reduce withholding taxes on investment income.



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Cross-border Investments – Structuring your International Investments through Barbados

BY DOMINIQUE PEPIN

Will your company be ready when the world finally emerges out of the economic turmoil? In these difficult times, where cash flow is restricted and most investors are risk averse, it is of the utmost importance to invest wisely. Choosing a jurisdiction with an excellent reputation to structure your investments and mitigate tax is key to survival.

Before taking the plunge and expanding your business in another country, some sound analysis is required. The choices of jurisdiction abound. Why choose Barbados?

Scores of articles have been written on Barbados' favourable attributes: a sophisticated jurisdiction with a stable government, a well developed common law system, and a proliferation of world class professional service companies, not to mention a great quality of life and fantastic weather. Well, Barbados has much more to offer!

Barbados, unlike most international business and financial services centres, successfully pursues a policy of negotiating double taxation treaties. This activity has resulted in the conclusion of treaties with 30 countries, and many more are in various stages of negotiation. A treaty network is an important asset when an investment is made in a treaty country, as it reduces the withholding tax on various sources of income and capital gains which would normally apply under domestic law. It is customary for such rates to be lower than the normal domestic rates.

Although Barbados is a relatively small country, its 270,000 strong population and long standing education policy provides a skilled workforce. Executives, directors and employees with relevant experience in the international business sector are readily available. A fully operational physical presence with locally based staff, as opposed to a "brass plate" presence through a registered office, is an essential component in ensuring compliance with many international tax regimes and reporting requirements.

Most importantly, the tax implications must be considered. Depending on the specific circumstances, investors can choose from an array of different types of international corporate entities or simply a domestic company. Under Barbados' domestic law, a holding company is permitted to receive foreign dividends and pay dividends to non-resident shareholders without paying any tax in Barbados, provided that certain conditions are satisfied. Two other interesting features of the domestic legislation are the foreign currency earnings mechanism, which can reduce the effective tax rate from 25% to 1.75%, and the fact that capital gains are not taxable in Barbados. Alternatively, the international business tax regime provides for reduced tax rates, ranging from 2.5% down to 1%, and there is a 0% rate applicable to exempt insurance companies.

Some other jurisdictions, such as Cayman and Bermuda, may, at first glance, seem more attractive as they do not levy any income tax. However, in addition to licence fees, and in some cases payroll taxes,

Barbados, unlike most international business and financial services centres, successfully pursues a policy of negotiating double taxation treaties

it is typically more costly to operate in these jurisdictions. Also, since the population in these islands is quite limited, finding local workers with the appropriate skills may prove to be difficult. Normally an expatriate is not allowed to remain in the country for a long period and this may cause some concerns to the parent company in terms of direction and compliance with internal rules and objectives. Most importantly, these no-tax jurisdictions have generally not concluded any double taxation agreements and are unlikely to be able to do so in the near future.

As we see an increasing number of initiatives from the Organisation for Economic Co-operation and Development and from countries individually, jurisdictions with rigorous regulatory and legal frameworks, coupled with a philosophy of attracting quality substantive business and adhering to a high level of transparency, will be better equipped to respond efficiently to the challenges faced by companies in these times of great changes. Maybe the real question should be "Why NOT Barbados?" ♦





Life after TIEAs ... What's next for Barbados?

BY FRANÇOISE HENDY

Almost thirty years after concluding its first Tax Information Exchange Agreement (TIEA) with the United States, Barbados has entered into a similar arrangement with the Kingdom of Denmark, and has also agreed to sign TIEAs with France and Germany. Does the fact that one new tax treaty was initialled last year (Iceland) signal a reordering of tax treaty priorities for Barbados?

As a member of the Organisation for Economic Co-operation and Development (OECD) Global Forum, Barbados has accepted the new rules of international tax co-operation enunciated by the G-20. As such, the country has sought to continue its expression of these evolving norms through its tax treaty network and not the 'single' purpose vehicle TIEA. In fact, post-recession OECD pre-occupation with form over substance, i.e. with providing an international law basis for the exchange of tax information, detracts little from the fact that for decades such exchanges have been facilitated by Barbados using our tax treaties. However, for financial services centres whose branding rests on zero tax, legislated secrecy and the absence of a means of responding to requests for tax payer information, the TIEA has now become the only means through which their forced compliance can be achieved.

Why then has Barbados, a low tax, treaty-based jurisdiction, suddenly opted to use what is undoubtedly an inferior means of achieving the two important imperatives of small island development – economic benefit and the prevention of fiscal impropriety in cross-border financial dealings? Simply put, the TIEA has become the lesser of two evils in the context of increasing 'peer' pressure within the OECD to execute what has largely become a quantitative exercise



Canada's High Commissioner to Barbados, Mrs. Ruth Archibald (left) and Barbados' Minister of International Business, Hon. George Hutson, M.P., sign the Protocol to Amend the DTA between Barbados and Canada

- reinforced by the continued use by the OECD of 'name and shame' tactics - rather than a sustainable attempt to ensure the long term qualitative application of the new rules.

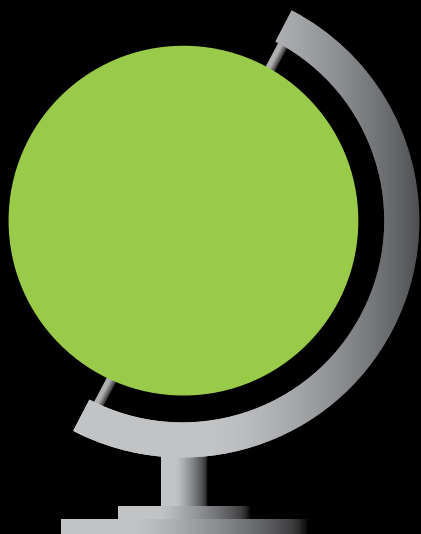
Barbados remains committed to cooperating with the OECD in meeting their international tax standard, both in form and substance, and it has therefore had to make some concessions in its policy of negotiating solely double taxation agreements. Whether this TIEA activity crystallises into a trend such that other countries previously interested in pursuing tax treaties with Barbados lose interest and retreat to the easy, politically benign TIEA, depends on whether Barbados

can quickly convert 'oral' agreements to negotiate double tax treaties into signed treaties.

In addition to the 30 tax treaties Barbados has under its belt, and four others awaiting ratification, treaties with Singapore, Chile, Brazil, Colombia, Costa Rica, Poland, Bahrain, The United Arab Emirates, Japan, Kenya, Australia, San Marino, Burkina Faso, Suriname, Peru, India and Liberia are being actively pursued. Barbados' Cabinet has already approved the creation of an additional tax treaty negotiation team to ensure that our treaty network continues to expand aggressively.

As far as Barbados is concerned, therefore, the negotiation of double taxation treaties and investment protection treaties remains a priority, particularly in terms of the economic development goal of increased trade and investment flows with our treaty partners – something that TIEAs will never achieve. 🌟

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What does the Financial Services Commission mean to International Business in Barbados?

BY DAWN WILLIAMS

As an International Financial Centre (IFC), Barbados has developed steadily over the years, and continues to strengthen the solid reputation as a sound jurisdiction for which it is globally recognised.

In April 2011, Barbados established its Financial Services Commission (FSC) to further strengthen and improve regulation and supervision of its non-banking financial institutions (NBFIs). The FSC's current purview includes regulation and supervision of:

- Exempt Insurance Companies
- Domestic Insurance Companies
- Qualified Insurance Companies
- Occupational Pension Schemes
- All persons and entities previously regulated by the Securities Commission under the Securities Act
- Domestic Credit Unions
- Mutual Funds.

While the supervision and regulation of banks and trust companies remains with the Central Bank of Barbados, this integration and consolidation of the supervisory and regulatory roles - previously held in separate government agencies for insurance, pensions, credit unions and for capital markets - creates the opportunity to streamline and establish greater efficiencies both for the domestic market as well as the international business sector in Barbados. Under the one umbrella of the FSC, key opportunities arise to:

- enhance and further safeguard the financial stability of the jurisdiction, and
- facilitate the creation of new financial products that can be used by the market.

A dynamic Commission, with its new powers, can provide guidance and directives on new structures and products, while assuaging concerns with regard to operation and supervision of the NBFIs.

What does this mean for Barbados as an International Financial Centre?

Barbados has always had a long term view of its participation in the IFC world. It set out key tenets from the time of its initial participation in the global finance industry decades ago, articulating a policy of high ethical ground and proper, balanced regulation.

The FSC is an evolution consistent with that original direction, and in a world shell-shocked by financial crises, recession, and now national debt crises, it will give greater comfort for international investors that Barbados takes international business seriously, and that Barbadian companies will be properly regulated to international standards, but in a way that recognises the concept of "right-sized" regulation.

International rankings such as third in the Americas (after USA and Canada) on the United Nations Human Development Index survey, 2010/11 (and first in the Caribbean and Latin America region), and second in the Americas (after Canada) in the 2011 Transparency International's Corruption Perception Index (first in the Caribbean and Latin America), demonstrate the benefit of consistent policies. Barbados' governance principles have remained constant and have supported and enhanced its development and international reputation. The FSC, however, is but one important enhancement of its value proposition. In addition, Barbados has:

- A strong financial reputation that has persevered throughout the years;
- Financial stability, which remains a critical component;
- An extensive and expanding tax and investment protection treaty network; and
- Liberalised finance and trade rules, creating more opportunities for traditional international business in the local framework.

The dynamic nature of international finance and, certainly, the current global upheaval, have only reinforced the fact that there is, indeed, a delicate balance between cutting edge financial products and the need to have sufficient safeguards that can be utilised when needed.

This consolidation of the regulation of NBFIs under the FSC underscores the country's commitment to international business and to being a well regulated, stable financial services domicile. 🌟

Upcoming Events 2012

Updates to this Calendar of Events will be available at investbarbados.org

MIDEM

Cannes, France
January 28 – 31

World Captive Forum

Miami, FL
January 30 – February 1

PDAC Investment Mining Show

Toronto, ON
March 4 – 7

CICA International Conference

Scottsdale, AZ
March 11 – 13

International Tax and Trust Congress

Bridgetown, Barbados
March 21 – 22

RIMS Annual Conference

Philadelphia, PA
April 15 – 18

Offshore Alert

Miami, FL
April 29 – May 1

Society of Trust & Estate Practitioners (STEP) USA

Santa Monica, CA
May 3 – 4

ACCE Show

Seattle, WA
May 7 – 10

Step Caribbean

Cayman Islands
May 14 – 16

Continued on page 15

Corporate Mobility

BY MICHAEL GEMMITI & ANGELA ROBINSON

The competitive advantage offered by Barbados in conducting international business - particularly in tax and regulatory matters - is well known. What may be less well known is that for a company currently operating in a different jurisdiction that would like to avail itself of the benefits of operating in Barbados, it may be possible to migrate the corporation to Barbados within a short timeline and generally without any adverse tax consequences. This approach may be preferable to ceasing operations in the current jurisdiction and forming a new corporation in Barbados.

A company wishing to continue to Barbados must file Articles of Continuance with the Registrar of Companies in Barbados

Corporate migration (sometimes called corporate continuance) may be defined as the procedure by which a corporation incorporated in jurisdiction A becomes subject to the laws of jurisdiction B, as though it had been incorporated under the corporate law of jurisdiction B. Thus a new corporate entity is not created, rather an existing corporation becomes subject to the corporate law of a different country. A migration, therefore, consists of both a continuance and discontinuance: the corporate law of the country which the corporation wishes to leave (the discontinuance country) must permit the discontinuance, and the corporate law of the country the corporation wishes to enter (the continuance country) must permit the continuance.

A company wishing to continue to Barbados must file Articles of Continuance with the Registrar of Companies in Barbados. The required information includes a legal opinion of counsel from the discontinuance country, along with apostilled copies of each of the following:

- the company's constituting documents;
- corporate resolutions authorising the discontinuance; and
- the relevant sections of the corporate law of the discontinuance country authorising the re-domiciliation.

Although the legal impact of a continuance must be evaluated according to its particular facts, normally a registration by way of continuance in Barbados should not:

- operate to create a new legal entity;
- result in any real or deemed disposition of the company's property;
- affect the obligations of the company. Property of the company prior to its continuance remains property of the continued company, and the company continues to be liable for its obligations incurred prior to its continuance;
- impact the company's share capital or the rights attached to the shares;
- result in any real or deemed disposition, cancellation or redemption of the company's issued shares or the issue of any of the company's unissued shares; and
- render defective any legal proceedings by or against the company, and any legal proceedings that could have been continued or commenced by or against the company before its continuance may be continued or commenced by or against the company after its migration to Barbados.

The company, from the date of continuance in Barbados, will continue as a body corporate for all purposes as if incorporated pursuant to the Companies Act of Barbados. As such, the company's by-laws and share structure may have to be amended so as to be consistent with the Companies Act (for example, Barbados does not permit par value shares).

As noted above, given the laws of Barbados, and subject to the laws of the discontinuance country, there should not be a disposition of the property held by the migrating corporation or a disposition of the shares of the migrating company itself. This is significant, as it may allow for the corporate migration to be a tax-free event in Barbados and the discontinuance country.

In summary, corporate migration may be a way to move existing business operations to Barbados without incurring significant transaction costs or tax consequences. Given the inconsistent treatment afforded to corporate migration by various countries, a careful review of all corporate laws is needed. 🌟

The London Connection ... for Smart Businesses Headquartered in Barbados

BY MELANIE JONES & ALANA GOODMAN SMITH

In our globalised world, businesses and families can headquarter themselves in any one of many countries. Barbados is the right place for those who seek a tax, legal and regulatory framework that favours substantive, foreign currency earning business and provides some of the best indigenous human capital available anywhere. Barbados is also a compelling choice for those who desire a superlative quality of life, combining tropical pleasures with first world sophistication, and it is good news that the preservation or creation of one or more vital presences elsewhere in major financial centres can be achieved with ease and cost efficiency, notwithstanding their 'HQ' is in what has been called the "gem of the Caribbean Sea".

The establishment of a Barbados-based business (BBB) presence in a major international market can benefit both the BBB and its clientele. For many reasons that are outlined below, London is a good, strategic location for a business with a Barbados head office and an eye for overseas opportunity.

Having a capability in London can add significant value to customers and increase the BBB's competitiveness significantly. Access to a BBB in London provides British, Channel Islands and European clients same-time zone convenience. For clients in the Far East and the Antipodes, mitigation of the 11-13 hour time difference by 5 hours is also valuable. In addition, a presence in London provides the BBB with the ability to exploit opportunities to attract business from the UK market as a result of various changes in the UK tax legislation, particularly in relation to the taxation of non-domiciled individuals.

The credibility and commitment demonstrated to international clients by the establishment of a London office as a satellite for a Barbados-headquartered business is highly persuasive.

While these advantages are tangible, high real estate, rental and other operating costs can be challenging for a BBB contemplating the launch of an office in London, especially since client preference tends towards a location convenient to their particular service sector or industry. This could mean a West End, City or Docklands address, any of which would be expensive in a traditionally leased and staffed office established for the BBB exclusively, or even on a shared basis.

In contrast, 'virtual' offices represent a practical solution for the BBB and the client. There are smart



options available in the preferred areas, still affording prestigious business addresses while eliminating the costs and logistics of maintaining a 'traditional' office, such as the commitment and expense of entering into lease arrangements.

Advances in information and communications technology provide the ability to conduct business from virtually anywhere in the world and to connect directly to office networks and resources via the internet. Such technology allows information and resource sharing between offices. Additionally, the ability to teleconference and conduct webinars is a vital tool which can make cross-border expansion more seamless. It is also possible to synchronise back office services, such as accounting, between various offices, thereby reducing the need to employ back office staff in each office. Thus a BBB can fully integrate its London office with its Barbados headquarters and pass on the corresponding benefits to its clients.

A growing number of progressive businesses which call Barbados "home" have, almost effortlessly and at relatively minimal cost, developed and supported their global activity by shaping and managing their presence in London in the manner described above. These strategies also translate well into many other large cities around the world. They constitute a strategy available not just to large businesses, but to more modest enterprises too, allowing them to embrace global opportunities, provide smart, cost-effective services and nurture valuable relationships abroad, while co-ordinating the effort centrally from their "island paradise".

Upcoming Events 2012

(Continued)

Captive Insurance by Strategy Institute
Toronto, ON
June 6 - 7

Society of Trust & Estate Practitioners (STEP) Canada
Toronto, ON
June 7 - 8

AHDI Annual Convention and Expo
Indianapolis, IN
August 8 - 11

RIMS Canada
Saskatoon, SK
September 9 - 11

AHIMA
Chicago, IL
September 29 - October 4

World Medical Tourism and Global Healthcare Congress
Fort Lauderdale, FL
October 24 - 26

OHA Health Achieve
Toronto, ON
November 5 - 7

Barbados National Entrepreneurship Foundation Summit
Bridgetown, Barbados
November 15 - 16

Canadian Tax Foundation Annual Conference and Exhibition
Toronto, ON
November 25 - 27

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Using Barbados as a Holding or Treasury Centre

BY WAYNE LOVELL

A Treasury Centre (TC) may be defined as a centralised or decentralised treasury management function which is legally structured as a separate legal entity or as a branch, and is normally located in a tax efficient environment. The functions of TCs include asset and liability management, sales and trading of currency, credit and derivative products in capital markets, and financial management and transaction services for associated group entities.

Location is important when establishing Regional Treasury Centres (RTCs) or International Treasury Centres (ITCs). To some multinational corporations (MNCs), the most important criterion is tax efficiency (both in terms of tax rates and availability of a double tax treaty network), and this often drives location choice. The decision on location is also influenced by non-tax criteria such as cost (people, premises, information technology and telecommunication), banking systems and regulation (availability of modern banking and strong regulation), language (English is the prominent financial language), brand recognition (whether the region is well known for setting up ITCs), restrictions for setting up (licence requirements), and political stability.



ITCs in Barbados

Barbados has been used as an ITC by MNCs, many owned by Canadian shareholders, because it meets all of the key criteria, especially in terms of an expanding tax treaty network, and its treaty with Canada offers the ability to repatriate profits from an active business on an exempt basis. Recent changes in Canada's exempt surplus policies have allowed several other Caribbean jurisdictions that levy no corporate income tax to generate exempt surplus as well, as long as they sign tax information exchange agreements (TIEAs) with Canada, although the longevity of this status will depend on those countries' ability not only to exchange tax information, but to collect meaningful information, which they currently do not, since there are no taxes levied.

Domicile of Choice

Barbados still remains a domicile of choice for several reasons. For example, while there are no corporate or income taxes, in many of these countries benefiting from Canada's new policy there are higher licence fees and payroll taxes that make doing business there more costly. Staff costs there are often higher because the talent pool in the local population is smaller than Barbados, and the cost of expatriate technical hiring is much more expensive – in Barbados, the ability to hire well trained and qualified locals also speaks to continuity, versus the temporary nature of expatriates on work permits.

The Barbados international business model is well supported by a comprehensive legislative system, and for Canadian companies, where Corporate Law is concerned, the Companies Act of Barbados was based on the Ontario equivalent. The legislation is easy to understand and apply, especially for Canadian lawyers, and the jurisdiction allows corporate migration from other domiciles as long as those jurisdictions' laws permit such migration.

Perhaps the very best example yet of the domicile's commitment to international business is evident in its extensive treaty network, which includes many of the world's leading industrial countries – the United States, Britain and China, to name a few. Barbados is therefore more favourable to MNCs where business activities involve these developed countries. None of the other Caribbean jurisdictions is likely to develop such a network, especially bearing in mind that many are British protectorates and there is significant pressure on the UK to bring these jurisdictions into the mainline tax stream.

Barbados Continues to be Attractive

In summary, Barbados remains an attractive ITC for MNCs, and with its history of political and currency stability, Government's commitment to improving the environment for international business, and its consistently high international reputation and independent rankings, Barbados, as a sovereign state, offers a security that many other jurisdictions cannot replicate. 🌟



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First Provider Celebrates 15 years in Barbados

Barbados – A ‘Top 10’ Captive Insurance Domicile

BY HENDERSON HOLMES

Even in the midst of the economic challenges being faced by Barbados and its major trading partners, the Barbados international business sector continues to deliver an enviable performance.

According to information provided by the Ministry of International Business, the Central Bank and the Office of the Supervisor of Insurance, at December 31, 2010, Barbados recorded its highest number of active international businesses ever, and new registrations for the calendar year 2010 exceeded those for the previous year by 7.2%. The growth is even more encouraging at the Government fiscal year-end of March 2011, which shows a 28% increase in registrations. At the end of December 2010, Barbados was the domicile for 242 Captives, some of which were under management by the 23 Captive management companies responsible for managing the daily operations of such entities. This depth to the industry has kept Barbados within the Top 10 Captive Insurance domiciles across the globe.

Key to Barbados’ success in this area is the presence of diversified management companies, which have played a pivotal role in the development of this island as a jurisdiction of choice.

The role of the local manager is to provide active management and know-how for the local subsidiary on behalf of the international parent company. This role is an important one for the business landscape of Barbados. The attractiveness of Barbados as a jurisdiction of choice for international business entities is closely aligned to the level of local expertise that the island can offer. The wide ranging and high level skills which characterise the depth of Barbados’ talent pool assure international investors that their operations here can be ably and expertly managed.

At the same time, operating in such a sophisticated globalised environment satisfies the aspirations of many experienced Barbadians

who might otherwise be tempted to provide their services overseas, while also ensuring that the local business environment is constantly being refreshed with alternative perspectives and practices from beyond these shores.

Like many other areas within the international business milieu, the international insurance and re-insurance industries in Barbados will benefit from modernised legislation being considered that will seek to position this island at the global frontier. Barbados continues to operate in a highly competitive environment, and if we are to gain status as one of the Top 10 international financial centres, we recognise that we have to continue to evolve with legislative changes and improvements in business facilitation.

Barbados has made its mark on the international business landscape not by developing as a niche jurisdiction for banking or insurance, but through the wide reach of its double taxation treaty network, that provides international businesses with a launching pad into Asian, Latin American, North American and European markets from Barbados. Currently, Barbados boasts double taxation agreements with 30 countries (including one with CARICOM, which serves as an agreement with 10 other Caribbean nations). Barbados’ advantage and attractiveness as a treaty jurisdiction continues to be enhanced by discussions or negotiations already underway with a further 24 countries.

New market opportunities for Captives are rapidly emerging in South and Central America, and Barbados is already starting to see growth from these markets. Our aim is to rise in the domicile ranking internationally, through our commitment to quality in all areas of international business – quality service providers, quality legislation and regulation, quality infrastructure and business facilitation. 🌸



CASE STUDY – KIXKO INC.

E-learning Opportunities from Barbados

KIXKO Inc. is a young e-learning company which launched in 2010 and is looking to grow up in Barbados and then expand internationally. Our local team of technology experts built a Corporate Learning Management system which is used to deliver mandatory Barbados Anti Money Laundering (AML) Training.

Compliance with AML legislation is taken seriously both by the regulators and Barbados firms who look to protect their industry and defend Barbados' reputation against "dirty money" infiltrating the system. KIXKO e-learning courses are delivered 24/7 at the fingertips of the employees, reducing out-of-office time. Learners "learn by doing" online and are certified by having to pass an e-test.

We've had enthusiastic support from the financial services community in the launch of new AML courses and are looking to expand Barbados courses to include the other business sectors covered under the new legislation, such as lawyers, accountants, corporate and trust services, real estate and insurance.

Local Barbados resources are used for course development and subject matter expertise and they work along with an international virtual team. When our team members go overseas, their job follows them. Two University of the West Indies graduates have relocated to Birmingham, England and Winnipeg, Canada and they continue their work with KIXKO, demonstrating that virtual teams can be powerful.

Already there has been interest from Bermuda and Trinidad to replicate the KIXKO Barbados courses for the new legislation in their countries.

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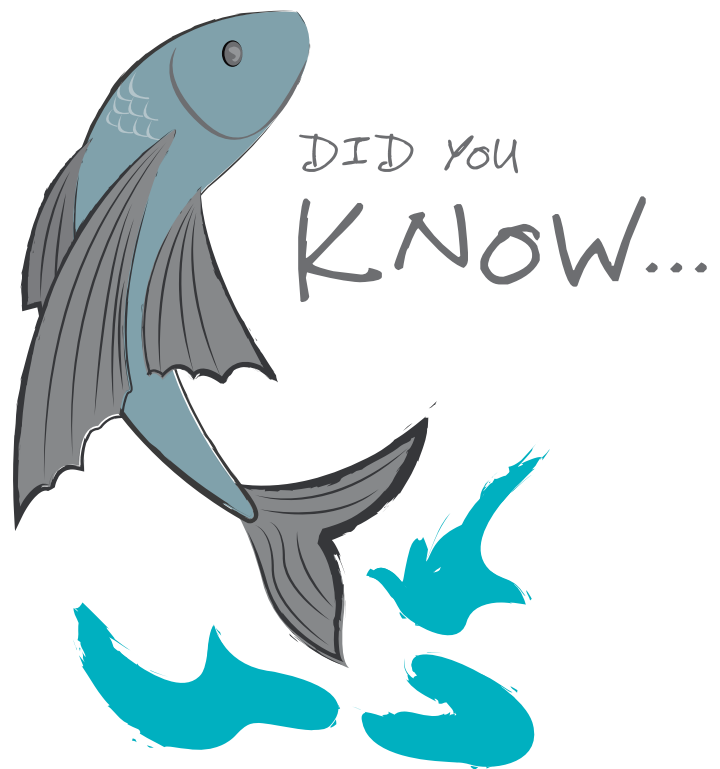
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HOW 'BARBADOS' GOT ITS NAME?

Consensus is that Portuguese explorers sighted this remote island during the 1500s, while en route to Brazil. When they landed, the island was already inhabited by a few Amerindians. The explorers found several Bearded Fig Trees that had long, hanging, aerial roots – reminiscent of the long beards worn by Spanish noble men. The Portuguese opted not to settle, however they named the island "Los Barbados", meaning "the bearded ones". (Also - our capital city, Bridgetown, was originally called "Indian Bridge", since the early Amerindian inhabitants built a bridge over the area in the town centre now known as the Careenage.)

BARBADOS HAS THE OLDEST BRAND OF RUM IN THE WORLD?

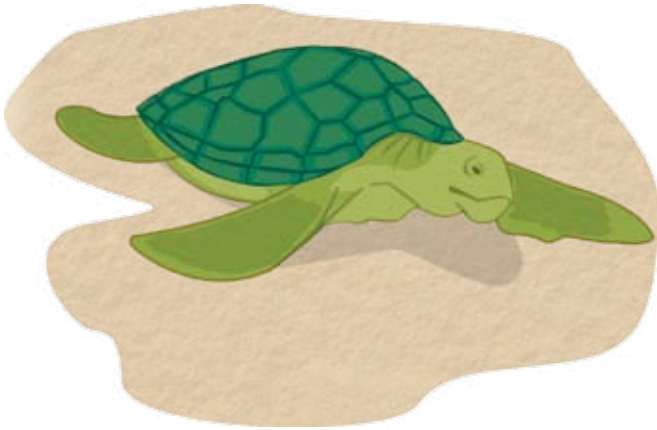
Produced in Barbados since 1703, Mount Gay Rum has won many international awards, including the Grand Gold Medal, Monde Selection; the Gold Medal, International Spirits Challenge; and the Gold Medal, Beverage Tasting Institute ... without doubt, not just the oldest, but the finest brand of rum in existence!

INTERNATIONAL SINGING SENSATION, RIHANNA, IS BARBADIAN?

Renowned the world over, Rihanna relocated to the USA at the age of sixteen to pursue a singing career. She has won over 130 awards, including prestigious Grammy and Juno awards.

BARBADOS IS HOME TO A CRITICALLY ENDANGERED SPECIES?

Listed as "critically endangered", Hawksbill and Leatherback Turtles are now protected and monitored as part of the Barbados Sea Turtle Project, which began in 1987. In 1998, the Government enacted a total moratorium on all sea turtle harvesting. In select areas, these social sea creatures have become accustomed to human interaction and can be seen playing and feeding along the inshore reefs, allowing controlled groups the wonderful opportunity to "swim with the turtles".



WE HAVE AN EXCEPTIONAL RECORD OF POLITICAL STABILITY?

The first British settlers landed in Barbados in 1627. Whereas, during their early histories, many other West Indian islands 'changed hands' numerous times as nations fought for possession of their lucrative sugar industry, Barbados flew only the British flag until it achieved independence in 1966. Our Government is a parliamentary democracy, based on the Westminster model, and the legal system is based on English law. Barbados' parliament was established in 1639, making it the third oldest in the Western hemisphere. Many of our systems are still based on the original British models, including the education system ... and, of course, we drive on the Left!

BARBADOS HAS A UNIQUE HISTORY IN TOWN PLANNING?

On 25 June 2011, the World Heritage Committee added "Historic Bridgetown and its Garrison" to the World Heritage Sites listing. The site is an outstanding example of British colonial architecture consisting of a well-preserved old town built in the 17th, 18th and 19th centuries and is testament to the spread of Britain's Atlantic colonial empire. With its serpentine urban layout, the property showcases a different approach to colonial town planning compared to the Spanish and Dutch colonial cities of the region, which were built along a grid plan.

MONGOOSES ARE PART OF OUR WILDLIFE?

Originally imported from India by the early settlers to control the rodent population in the cane fields, these furry creatures frequently run across your pathway or the roads in front of cars. As it turned out, mongooses are diurnal (they sleep at night), so while the mongooses slept, the rats fed on the sugar cane! Legend has it - the mongoose in Barbados never crosses the road unless someone is watching!

AND FINALLY - REMEMBER WHEN YOU NEXT VISIT ...

- It is an offence for civilians, including children, to wear camouflage clothing, and
- Public transport vehicles travel in two directions only – to and from the City!



Why a Captive? Why Now? Why Barbados?

BY STEVE CLARKE

From the dawn of time, mankind has been faced with the possibility that things can and will go wrong, and there is a need to provide for such times. From a business perspective, this was formalised in the 13th century when merchants wanted to protect their ships from the uncertainties of going to sea, like losses from

When looking at the 20 largest Captive domiciles for 2010, Barbados is in a select group that increased the number of Captives between 2009 and 2010 despite the economic challenges, including a soft insurance market

hurricanes. Wealthy individuals agreed to receive a certain amount of money from each ship owner in exchange for a promise to pay for a lost ship when it occurred ... and the risk financing process called "insurance" was born. To this day, and especially in these turbulent economic times, the need to provide funds or capital for payment of losses is a key business strategy for organisations. Traditionally, an organisation's risk financing strategy is to place such risks associated with potential losses with a commercial insurer, but another option is for organisations to retain that risk through the formation of a Captive insurance company, which may be more efficient and tax advantageous than the traditional method.

A pure Captive is generally thought of as an insurance company that provides insurance on all, or some, of the risks, hazards and liabilities of its parent and/or affiliates. The decision to create a Captive is based on the risk financing strategies of the organisation, and part of that decision involves determining the jurisdiction of the Captive. Barbados has long been seen as a quality domicile for Captives, particularly from a Canadian perspective. This perspective, in large part, had its genesis in the double taxation treaty between the two countries, as well as the Canadian tax laws. These provisions allow Barbadian affiliates of Canadian corporations to repatriate earnings

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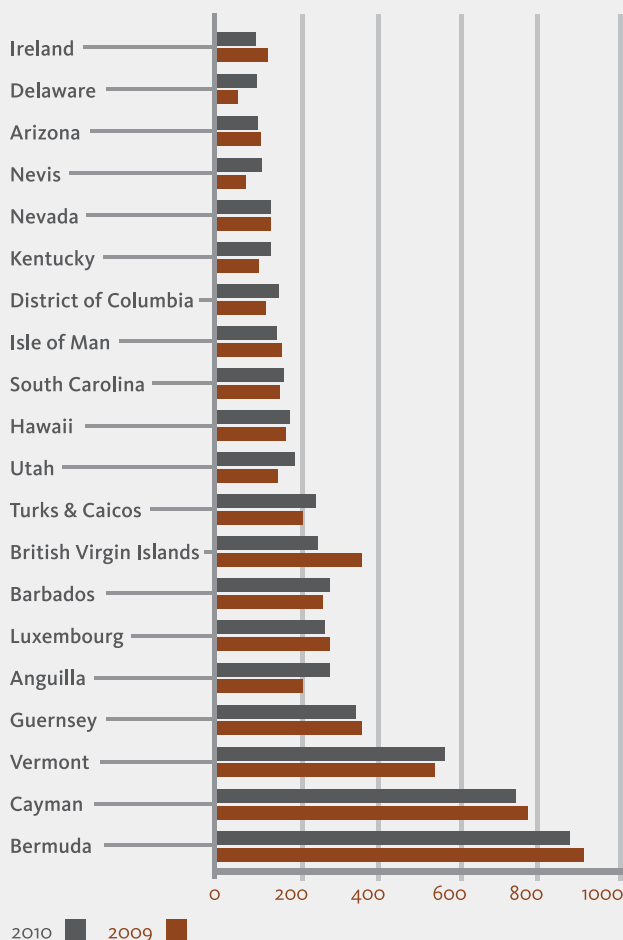
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from active business income earned in Barbados as exempt surplus which are not taxable in Canada. This relationship with Canada has been strengthened over the years and includes various other offshore industries apart from insurance.

Apart from Canada there are other jurisdictions, such as the USA and UK, which utilise Barbados as their domicile for Captives. The uniqueness of Barbados as a Captive domicile extends further than tax, and includes the following features:


- Long history of political and economic stability
- Modern corporate law and highly developed legal system
- Access to skilled and well educated work force
- Excellent and reliable utility services
- Leading technology and innovation
- Presence of internationally recognised insurance entities, e.g. largest global insurance brokers, including Marsh and AON
- Presence of the 'big four' accounting firms
- Reasonable operating costs and costs of living
- Pleasant living conditions and excellent year-round climate. When looking at the 20 largest Captive domiciles for 2010, Barbados

Top 20 Captive Domiciles 2009-2010



is within a select group that increased the number of Captives between 2009 and 2010 despite the economic challenges, including a soft insurance market.

The Barbados government has been active in expanding its double tax treaty network and continues to encourage more Captive formation. Latin America, especially Mexico, is part of this expansion and Barbados is beginning to attract some investment in Captives from these countries.

The reasons for setting up Captives are varied, but generally centre on the need to access reinsurance or insurance which may be difficult to obtain from the parent country. However, the bottom line is that organisations make the decision based on whether it can be a financially advantageous method of funding retained risks whilst supporting their business objectives; that is, it needs to make financial sense. 

CASE STUDY – KM² SOLUTIONS

Delivering World-Class Call Centre Services

KM² Solutions provides value to our clients by delivering reliable, effective Call Centre solutions that support Financial Services, Telecommunications Marketing and Media from four Centres in the Caribbean and Central America.

KM² Solutions, located in the Harbour Industrial Park, St Michael, established its presence in Barbados in 2007. Our company was attracted by the urban environment, financial stability, tax advantages to corporations, telecommunications infrastructure and, of course, the innate customer service skills offered by the labour pool available on the island.

Any company's success can only be measured by the contribution of its employees, and KM² is no exception. Barbados offers well educated, English speaking Call Centre agents with neutral accents. Over the years KM² Solutions has been in operation, our employees have demonstrated, through their dedication, work ethic and initiative, that we made the right decision when we selected Barbados for our operation.

Our Call Centre in Barbados provides customer support services to a selection of our Fortune 500 client base. These clients are complimentary of both the quality of services we are able to provide from Barbados, and the beautiful Caribbean environment they enjoy when they visit.

KM² Solutions Barbados is looking forward to continued success and expansion in Barbados.

A Barbados Perspective on the Evolving World of Captives

BY NICHOLAS CRICHLLOW

The term 'Captive', as it relates to insurance, reportedly comes from Frederic M. Reiss, who coined the term in the 1950s. The epithet came to Reiss when working with his first client, a mining company whose management referred to its mines as "captive mines", since their output was put solely to the corporation's use. When Reiss helped the company incorporate its own insurance subsidiaries, they were referred to as "Captive insurance companies" because they wrote insurance exclusively for the captive mines. Barbados became a jurisdiction for Captive insurance companies with the passing of the Exempt Insurance Act in 1983.

In practice, the Captive concept has generally remained unchanged for many years but the world of Captives has evolved and, from a Barbados perspective, has been impacted by:

- International legislation;
- Tax Treaties;
- Coverage issues; and
- Regulation.

Traditionally, Barbados has been the domicile of choice from which Canadian Captives could generate exempt surplus, but this status was called into question following a March 1996 report from Revenue Canada, indicating that an exempt insurance company (EIC) was not 'liable to taxation' in Barbados under the Tax Treaty between Barbados and Canada.

The Barbados government's response to Revenue Canada's report was to create the qualifying insurance company, which utilises a domestic corporation, domestic tax and other legalisation to achieve low taxation and facilitate exempt surplus generation under the Canada/Barbados Treaty.

In 2010, Canada's government announced that signing a Tax Information Exchange Agreement with Canada would allow companies in that country to generate exempt surplus. Canada quickly realised the unintentional disadvantage that Barbados EICs would suffer and reversed its 1996 interpretation of the EIC's liability to tax - thereby levelling the playing field among jurisdictions.

Although the majority of Captives domiciled in Barbados are from the United States and Canada, the signing and ratification of a Tax Treaty with Mexico has created an opportunity for Barbados to become



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a domicile of choice for Captives from Mexico, and Central and South America. This growth, while limited initially, will likely continue as more tax treaties are signed and as Barbados continues to promote its Captive insurance industry.

Typically, Captives in Barbados have been used exclusively for deductibles of property, casualty and workers' compensation programmes. More recently however, Captives have assisted companies in financing environmental liability, product recall, weather risk, intellectual property infringement risks and other business risks. There are few limits to the types of risks a Barbados Captive can finance, provided the risks are evaluated, priced and capitalised properly. The use of Captives in Barbados will likely continue to evolve as organisations look to use their Captives to mitigate more complex risks. For example, interest is growing in creating new Captives to cover group health care benefits and group life and disability insurance; in addition, existing Captives that traditionally had offered only property and casualty coverage may begin to expand to cover group health and life.

On April 1, 2011, Barbados established the Financial Services Commission (FSC), to further enhance the regulation and supervision of the non-banking financial sector. Although Barbados has long been viewed as a well regulated domicile for Captive insurance business, the establishment of the FSC will most likely affirm Barbados' position as an attractive and world-class domicile for Captive insurance companies. 



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So you've formed your Captive in Barbados ...

What next? BY RICARDO KNIGHT

Not long ago, risk managers often chose Captive insurance as the answer to hard commercial insurance markets. Today, as the discipline evolves, it offers risk managers, especially those from Canadian parent companies whose Captives reside in Barbados, much more. Today, Captive insurance is more than a 'knee-jerk' reaction to tight insurance markets, for a variety of compelling reasons.

A Maturing Combination

Risk managers now have access to the same data as actuaries and underwriters, allowing them to better understand and control risk. Because knowledge is power, managers weigh retaining some risk versus buying commercial insurance, creating a potential profit centre in the process. Combining these capabilities with the benefits of the long standing Barbados/Canada double tax treaty that allows Barbados Captives to earn exempt surplus and repatriate that surplus back to Canada on a tax free basis, Barbados delivers a winning formula for success.

Increased globalisation continues to focus risk management efforts on Captive insurance solutions. Risk managers are forced to consolidate their companies' risks into global programmes to bring costs under control. The Captive insurance option often delivers the best solution.

Putting it All Together

Captive insurers provide a valuable catch-all mechanism to address these and other risk issues. It is no wonder that they have become increasingly popular. Risk managers, particularly those from Canadian companies with Barbadian Captives, find that their Captives' flexibility is easily adaptable to individual company requirements and much more easily accomplished in a domicile like Barbados.

This flexibility fosters increased risk control, capture of profits that once were lost to commercial insurers — but now may be repatriated tax free from Barbados Captives to their Canadian parent companies — and a gateway to global, lower cost reinsurance markets to help minimise the cost of risk transfer.

Versatility Personified

These and other advantages prove the long term value of today's Captive. Captives are surprisingly versatile. Now that businesses more fully understand their overall risk profile, it is logical to take a more comprehensive approach to determining what their tolerance

for risk is and plan accordingly. More companies are using Captives to house and fund risk first, seeking reinsurance opportunities only when risk levels exceed their tolerance for retention — the "Captive-centric" approach.

Using a Captive as a clearinghouse for risk has distinct advantages. It facilitates the evaluation of overall exposure to the enterprise, allowing risk managers to more effectively manage it. Risk managers work with Captive structures to:

- Identify and quantify exposures globally that would negatively impact the operations
- Control or limit those risks
- Determine which risks are best retained
- Develop a funding programme for retained risks to minimise impact to financials
- Purchase risk transfer for unpredictable and catastrophic risks that would impair the viability of the enterprise
- Report to management on the status of risk and the steps taken to eliminate or minimise it
- Conserve corporate resources.

A Formula for Success

Tally all these benefits and it is not surprising that Captives are the vehicle of choice for many Canadian risk managers. Migration of focus from the mere purchase of insurance to managing enterprise risk has led to the inevitable conclusion that a central repository is needed to organise and manage the process of identifying, quantifying, minimising, funding and mitigating it. Advances in risk management science, enabled by developments in communication and risk management techniques, have empowered risk managers to take more control over the process.

Captives provide the ideal structure for these needs. Their well disciplined format delivers a time tested methodology for implementing new

risk management techniques. Add to this the fact that Barbados has long been the preferred Captive domicile of choice for Canadian companies, and you have a formula for risk management and business success. 🌟



Solvency II Update: the Captive Perspective

BY VIN HAMPDEN

Since we last looked at the impact of Solvency II on Captives, there remains much uncertainty. Indeed, it seems very little has been clarified in the last year. What is clear is that there is a growing call for Captives to be treated differently by commercial reinsurers. Much focus has now turned to proportionality, which is the concept of Solvency II that is intended to match the regulatory requirements with the risk profile of the company. There is strong debate on precisely what this means, or should mean. There is also a call for clarification of what proportionality means for Captives under each of the three pillars of Solvency II - capital requirements, corporate governance and disclosure obligations.

Pillar 1 sets out the calculation of the capital requirement for insurance and reinsurance companies under Solvency II, and provides a simplified calculation for entities where “the nature, scale and complexity of the risks they face justifies it”. The general view in the Captive insurance industry is that this should apply to most Captives. However, it is expected that the guidelines of the Committee of European Insurance and Occupational Pensions Supervisors (now the European Insurance and Occupational Pensions Authority [EIOPA]) on the use of the simplified calculation would exclude 80% of European-based Captives. As a result, the capital for those Captives falling within that 80% may need to be increased – significantly, in some cases.


Pillar 2 details the provisions on corporate governance and the risk management framework of the reinsurance company. These include mandatory internal controls, a separate and independent internal audit function, and restrictions on outsourcing of operational functions. Strict application of these requirements could significantly change the operational landscape and costs of Captives.

Pillar 3 deals with the disclosure of information. The concern for the Captive industry here is that the current provisions would

require Captives to disclose quite detailed and sensitive information to the public, which could undermine the policy holders and, in some instances, potentially endanger the employees of the policy holders - for instance, in cases where the Captive may be carrying the kidnap and ransom cover for the group.

The requirements for Captives under Solvency II, therefore, could be quite significant. Some in the industry have estimated a 300% increase in operational costs if Captives have to meet all of the requirements under the legislation as currently set out. This could lead to Captive owners re-evaluating their options as to whether a Captive still makes sense, or considering domiciles outside the European Union (EU) regime, as well as those countries seeking equivalency, such as Bermuda. Notably, Guernsey is strongly publicising the fact that they are outside the EU regime and have decided not to pursue equivalency at this time. Barbados may be expected to proclaim similarly.

For those lobbying for Captives to be treated differently, including the European Captive Insurance and Reinsurance Owners' Association and other stakeholders, it now seems very likely that the implementation date for Solvency II will be pushed back to January 1, 2014. This provides an additional 12 months for lobby groups to increase their pressure on the EIOPA with the hope of achieving the changes that the Captive industry would like to see.

It is worth noting that only three non-EU countries have opted to seek equivalency initially: Japan (for reinsurance only), Switzerland and Bermuda. Carriers in these countries have a significant volume of EU business and it is therefore important to these carriers that the country achieves equivalency. The issue for Bermuda, in particular, is how equivalency will impact those Captives which do not write European business. Will they also be required to meet the Solvency II requirements and incur the likely increase in costs that no doubt will result? Bermuda's main competitors are following this issue with interest. 

CASE STUDY – FREEDOM FINANCIAL INC.

Excellent Domicile for Financial Services Provider

Freedom Financial International Inc. is a provider of financial services and risk management consulting to the international financial services sector. The company has successfully launched banking frameworks, policies and procedures and compliance services for many of the international banks in Barbados.

Barbados' continued development of tax treaties created many opportunities to attract international financial services to the island. Freedom Financial works with overseas clients to show them the benefits and opportunities of establishing banks and

other companies. We work with clients to “demystify” the complexity of global and local regulation, and help them down the path to understand and ease doing business in Barbados. Freedom offers a ‘bank in a box’ solution to help set up and tailor banks according to the regulatory environment in Barbados. Close Canadian ties have helped fuel Barbados' business over the past decade. Since the global financial crisis, Barbados seems to be attracting interest from businesses and financial services from a broader base and other parts of the world.

Freedom's success in Barbados is attributed to a good sound infrastructure, banking regulations that are on par with global standards and excellent resources.

Protecting and Sustaining Wealth: the Family Office Solution

BY CAROLINE PROW

Evolution of Family Offices

A Family Office is a professional organisation dedicated to managing the personal fortunes and lives of members of very wealthy families. The first Family Office was established in 1882 for the Rockefeller family.

Initially families relied on the services and expertise of their own staff to satisfy the financial and personal needs of the family, but as their wealth increased and the family became multigenerational and geographically dispersed, the more complex the administration and technical requirements of the family became. Many Family Offices now support philanthropy and lifestyle management (including concierge services and maintaining homes, yachts and planes etc.). The professional advice and direct services available to family members is often far beyond what they would arrange for themselves and frequently at a lower cost.

Role of the Family Office



Delivering Objective Advice

The importance of objectivity and transparency is at the very core of the relationship between the Family Office and its client. Families will depend upon advice given by their Family Office on all matters concerning their personal wealth, such as investments, trusts and foundations. They are kept informed of the risks and advantages of every decision that is made and the impact it will make on their long term goals.

Investment Advice

The goal of every Family Office is to protect and grow the family's wealth. A well thought out investment strategy that reflects the family's specific goals and preferences, combined with portfolio design and manager implementation, is crucial to producing superior risk-adjusted investment returns. Specialised investment management products, such as hedge funds, emerging market investments, venture capital and private equity investments, typically form part of the family's investment portfolio, and the Family Office will work with investment professionals to evaluate and manage these assets in accordance with the family's overall investment strategy and risk profile.

Education and Governance

Educating future generations about the family's mission and vision, together with effective governance, is essential in order to facilitate the transfer of wealth and family values from one generation to the next.

Fiduciary & Administration

Family Offices have the infrastructure and expertise needed to ensure that everything functions smoothly and works effectively. Administrative support will include bill paying and banking coordination, accounting, insurance administration, philanthropic planning, legal administration and travel arrangements. They also provide the technological support to ensure reporting is customised and centralised and is effectively communicated to the family in a format that will enable them to make informed decisions.

Risk Management

This is an important value-added feature of the professional Family Office. The key attribute of the risk management function is that it should be independent and should match the sophistication of the front office investment strategy. This could either be through a highly professional back office with an independent risk officer reporting directly to the Board of Directors, or by outsourcing to a specialised professional firm.

Family Offices Adapting to a Changing World

The financial crisis of 2007 to 2010 has led to widespread calls for changes in the regulatory system, with emphasis on risk management, due diligence, transparency and adherence to rigorous standards and supervision.

The Dodd-Frank Wall Street Reform and Consumer Protection Act in the US is a response to those calls. It removed the exemption from Securities Exchange Commission (SEC) regulation for investment advisors with fewer than 15 clients, so the SEC can now regulate hedge fund and other private fund advisors. It also included a new

provision requiring the SEC to define Family Offices in order to exempt them from regulation under the US Advisors Act. Family Offices will be excluded from the Advisors Act regulation if they can prove that investment advice is given purely for and used solely by the families which it serves.

Cost is also a factor to be considered in setting up a Family Office for even the most ultra high net worth clients, with premises to rent and highly professional staff to recruit. One solution that is available to mitigate these costs is the multi-family office or MFO, which is a service offered by expert professional providers who serve multiple, unrelated family clients.

Each family is different and a common theme in the growing popularity of Family Offices is the level of influence which the family is able to exert on the conduct of its affairs and the diversity of opportunities available, versus reliance on one or two individual service provider(s). 🌱

CASE STUDY—CRUCIBLE INTERNATIONAL INC.

Success Anchored in a Solid Business Environment

Crucible International operates world-class outsourcing services for clients in the Americas and Europe from its headquarters near the international harbour in Bridgetown.

Barbados was originally chosen for this operation over other competing locations because of its political stability and access to excellent talent and intellectual human capital. Additionally, near-shore proximity to the North American market gave Barbados an edge.

With access to knowledgeable, capable resources, Crucible is able to match or exceed competing quality and service standards from anywhere in the world, and has been recognised as “the best supplier” by clients in the UK and Canada. The team has had low turnover, and access to an educated and professional workforce that demonstrates, each and every day, dedication and determination, has been an important differentiator.

Crucible's success is anchored in the solid business environment, reliable telecommunications and utility (light and power) infrastructure that Barbados provides.

Crucible continues to invest in the people and industry of Barbados. The business has grown from its roots as a Captive operation, processing insurance claims for its parent company, Confederation Life, and subsequently Manulife/John Hancock, to the operation that exists today, with a track record of serving several industries, including insurance and financial services, health care, transcription, publishing, and telecommunications.



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International Wealth Planning using Barbados

BY MARK ST. HILL & MARCIA CYRUS

Despite the severe recessionary conditions that continue to prevail across global markets, the rate of globalisation continues apace, providing new and continued sources of wealth and investment management opportunities for investors, whether institutional or private. Foreign direct investment flows may have slowed from previous levels, but international companies continue to pursue their growth strategies, and wealthy individuals are also achieving growth and taking the opportunity to diversify their assets.

Indeed, the fortunes of high net worth and ultra high net worth individuals (HNWIs) continue to soar. This trend was captured in the recently released Capgemini and Merrill Lynch World Wealth report, which showed that wealth for HNWIs grew 10% to reach US\$42.7 trillion - higher than the levels existing before 2007. But not only have assets grown, the population is now 10.9 million, an increase of 8.3%. HNWIs are classified as persons with at least US\$1 million available for investing, not including their residence, collectibles, consumables and consumer durables, while ultra HNWIs are individuals with assets of US\$30 million or more with the same exclusions applicable.

HNWIs have varying objectives, some of which include tax planning and investment structuring, preserving family wealth and protecting assets, education planning, cross border transactions, retirement planning, and trust estate and succession planning. The onshore advice received by HNWIs often results in funds being placed in a jurisdiction that provides a supportive environment.

As a business-friendly destination, Barbados is host to over 4,000 international companies, some of which are subsidiaries of large international and multinational companies. These companies represent a wide range of business activities and industries with operations on every continent. Some of the business activities within this sector include:

- Captive Insurance
- Oil & Gas Exploration and Production
- Mining
- Aircraft & Train Manufacturing
- Information & Electronics
- Pharmaceuticals

- Global Services & Consulting
- Research & Development
- International Trust & Estate Planning
- Fund Management
- Company Registration.

Barbados, through its range of double taxation agreements and its highly educated workforce, is one of the most desirable domiciles for business facilitation. The island also boasts a stable and developed political, economic, social, technological and legal infrastructure and these attributes combine to assist international businesses in achieving their growth strategies.

Supported by a strong and reputable banking sector, trust and estate practitioners, fund managers, lawyers, accountants and captive managers, a range of world class business facilitation services is at the fingertips of investors. Financial institutions with international expertise support the strategies of clients by facilitating cash management solutions such as wire transfers, corresponding banking access, drafts, term deposits, trade finance in the form of standby letters of credit, custody services, foreign exchange in major currencies, and other treasury products. In addition to these traditional

services, clients with excess cash can access asset management products, fixed income and equity securities, mutual funds, structured products and alternative investments.

Barbados continues to be a mecca for wealthy individuals and companies wishing to achieve specific goals. The island has been fortunate, through strong corporate governance, stable political management and excellent support services, to attract many HNWI, and to maintain a strong reputation among this important business segment. The positive feedback of many clients is testimony to the superior service offered. Not only have HNWI been able to make their tax and estate planning more efficient and cost effective, but large global companies have also been able to achieve their expansion plans while maximising their profit.

The HNWI segment continues to grow, even in the face of international financial difficulties, and Barbados will continue to evolve to meet the changing needs of corporate and HNWI clients. 🌟



Investment Opportunities available to Captives

in Today's Market

BY GORDON ANDERSON & RYLE WEEKES

Investing for Captives is different from the approach one would undertake to invest for private clients and even other institutional clients. Captive insurance companies are designed to manage the risks of the global parent company that owns the Captive insurance subsidiary. As a result, funds held within the Captive insurance subsidiary are typically invested in safe, liquid investments and, where possible, with a similar duration to the potential claims of the Captive (i.e. short tail versus longer tail risks).

The difficulty in matching the duration of the fixed income investments to the potential duration of the claims is that unlike other insurance companies, the future potential claims for Captives are typically more uncertain. As a result, most Captives invest in very high investment grade fixed income securities and cash equivalents. Fixed income is almost always in the same currency as the base currency of the Captive, which is typically Canadian or US dollars for Canadian Captives.

Similar to private clients, Captives also progress over time through investment life cycles, typically starting with cash and cash equivalents when the Captive is initially funded. As the premiums build, the Captive would typically migrate most of the funds to a 100% high investment grade fixed income portfolio, in order to obtain better potential returns while maintaining a very low risk, liquid portfolio. As surplus starts to build in excess of the reserve requirements, Captives will often consider adding high quality equities. Only the most mature Captives would consider hedge funds, given their lower liquidity versus the more traditional asset classes (cash, fixed income and equities).

The first step to investing for Captives is developing an Investment Policy Statement (IPS) with the Captive manager that sets out the “strategic asset allocation” for the Captive depending on where it is in the investment life cycle as discussed above. For example, a more mature Captive with funds in excess of reserve requirements might have an IPS with an allocation of 80% to investment grade fixed income and cash and 20% to high quality global equities. The acceptable ranges might be 0 – 100% for fixed income and cash and 0 – 30% for equities. The investment manager must operate within these parameters and respond to changing market conditions in seeking the highest returns while minimising risk.

The current economic and market conditions are presenting a significant challenge for Captives. With record low interest rates and the risk of inflation, as well as volatile markets, tactical strategies can be an effective method to optimise portfolios. For fixed income, maintaining a shorter duration than benchmark would normally be a prudent investment strategy. However, there are often daily, weekly, and monthly opportunities to change duration and adjust credit quality to improve returns.

Equity markets are very volatile at present creating timing opportunities that can potentially enhance return. Although picking “best in class” third party equity managers is very important, tactical

If considering passive strategies, it is best to look at “enhanced passive strategies” designed to provide more than 100% of the upside of the market and less than 100% of the downside

calls in volatile market conditions can add value. A small allocation to high quality dividend paying stocks can be considered as an option to generate additional yield if the attendant equity exposure can be tolerated. It is typically a good strategy to avoid an investment firm’s proprietary products given conflicts of interest and under performance.

There is also the long running debate about ‘active’ versus ‘passive’ management. While passive investing gives you 100% of the upside of the market less fees, it also gives you 100% of the downside. If considering passive strategies, it is best to look at “enhanced passive strategies” designed to provide more than 100% of the upside of the market and less than 100% of the downside. There are a few firms that have accomplished this over the last decade. 🌟

Fast Facts

1. Captive insurance companies are designed to manage the risks of the global parent company that owns the Captive insurance subsidiary.
2. Funds held within the Captive insurance subsidiary are typically invested in safe, liquid investments.
3. As surplus starts to build in excess of the reserve requirements, Captives will often consider adding high quality equities.
4. Although picking “best in class” third party equity managers is very important, tactical calls in volatile market conditions can add value.
5. While passive investing gives you 100% of the upside of the market less fees, it also gives you 100% of the downside.

CASE STUDY – RBC WEALTH MANAGEMENT

25 Years of Growth in Global Wealth Management

RBC Wealth Management, part of Royal Bank of Canada, marked 25 years in Barbados during 2011. Based in St. Michael, RBC's Barbados business has provided wealth management services to high net worth clients around the world, including trust and fiduciary, discretionary investment management, corporate services, custody and credit solutions since 1986. During this time, RBC Wealth Management's Barbados office has grown from a handful of individuals to a team of over 65 professionals servicing a diverse global clientele. The Barbados business is part of RBC Wealth Management, globally one of the world's top 10 largest wealth managers with Cdn\$525 billion of assets under administration and Cdn\$310 billion of assets under management.

Since its formation in Barbados, the business has had many successes, firmly establishing itself as a leading provider of global wealth management solutions. Most notable of its successes was the recently launched international investment advisory and full-service securities brokerage unit in Barbados, increasing the breadth of its client offering. Another highlight was the launch in April 2005 of the Barbados based RBC Regent Bond Funds, providing high quality fixed income solutions to clients. The client offering was further enhanced by the introduction of a seasoned portfolio management team, which now oversees in excess of US\$4 billion under management in Barbados.

RBC Wealth Management in Barbados is situated strategically as a hub to markets in the southeast Caribbean, Central America, Venezuela and Colombia. As of late, RBC Wealth Management in

the Caribbean has seen significant growth from the affluent segments of growing Latin economies like Brazil and Mexico. As Barbados continues to expand its treaty network with countries such as Mexico, Venezuela, Chile and China, the opportunities for RBC Wealth Management to provide integrated investment, credit and fiduciary solutions continue to expand. Building from its Canadian heritage, and leveraging its strength and stability in the market, RBC Wealth Management in Barbados eyes a bright future ahead in the Caribbean.



Constructing a Captive Investment Portfolio

BY ELLIOTT BARROW

A Captive insurance company is formed to insure the risks of its parent corporation and can also be used to insure the risks of the parent's subsidiaries. Captive insurance companies (Captives) are an important element of the general insurance industry worldwide. Approximately 80% of S&P 500 companies have their own Captive subsidiary and there are over 5,000 Captives in approximately 40 domiciles worldwide. There are many possible reasons for establishing a Captive such as:

- Reduction in premiums
- Insuring the uninsurable
- Controlling your own insurance programme
- Cash flow benefits
- Direct access to reinsurance markets
- Diversification to develop into a profit centre
- Potential tax benefits, and
- Consolidation of deductibles.

Since 1983, when the Barbados Exempt Insurance Act was passed, Barbados has become an attractive jurisdiction for Captives.

Some of the reasons that many Captives select Barbados as a jurisdiction of choice include:

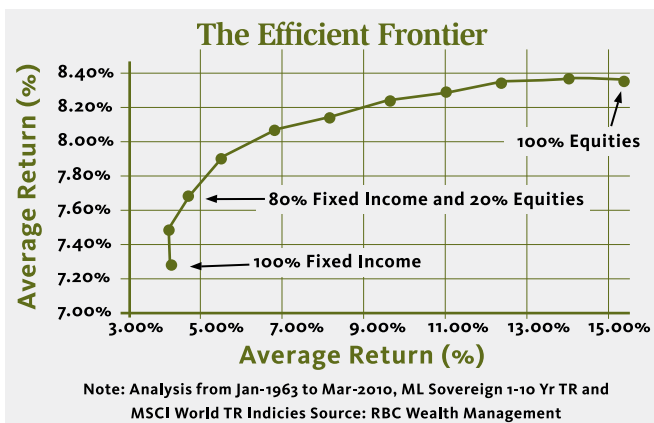
- Low capitalisation requirements
- Abundance of Captive management companies, banking and investment management services and auditing services
- Relatively simple procedures for organising and activating a Captive
- Little or no taxation on profits and capital gains
- Economic, political, and social stability
- Attractive tax treatment of the Captive's income under tax rules of parent company's home country through Barbados' extensive double taxation agreements.

The investment needs of Captive insurance companies will typically evolve over time. The investment solutions required will depend on where the Captive is in its particular life cycle. In the early stages, when there is little history of claims, and no excess reserves, Captives will typically invest in conservative investment vehicles with an emphasis on preservation of capital. The typical investment portfolio will include 100% allocation to term deposits and highly rated short term money market instruments. These types of investments provide

high liquidity should there be a need to raise cash for operational expenses and/or claims.

Once a Captive moves along its life cycle and has built up some assets and, more importantly, has a better indication of potential future claims, the investment portfolio of the Captive's assets will typically move towards fixed income securities. This change in asset class within the investment portfolio is geared towards generating higher returns while at the same time offering safety and liquidity. Higher rated fixed income securities with larger issue sizes are normally held so as to provide the best liquidity. In most instances, the fixed income securities will have a term to maturity of one to five years.

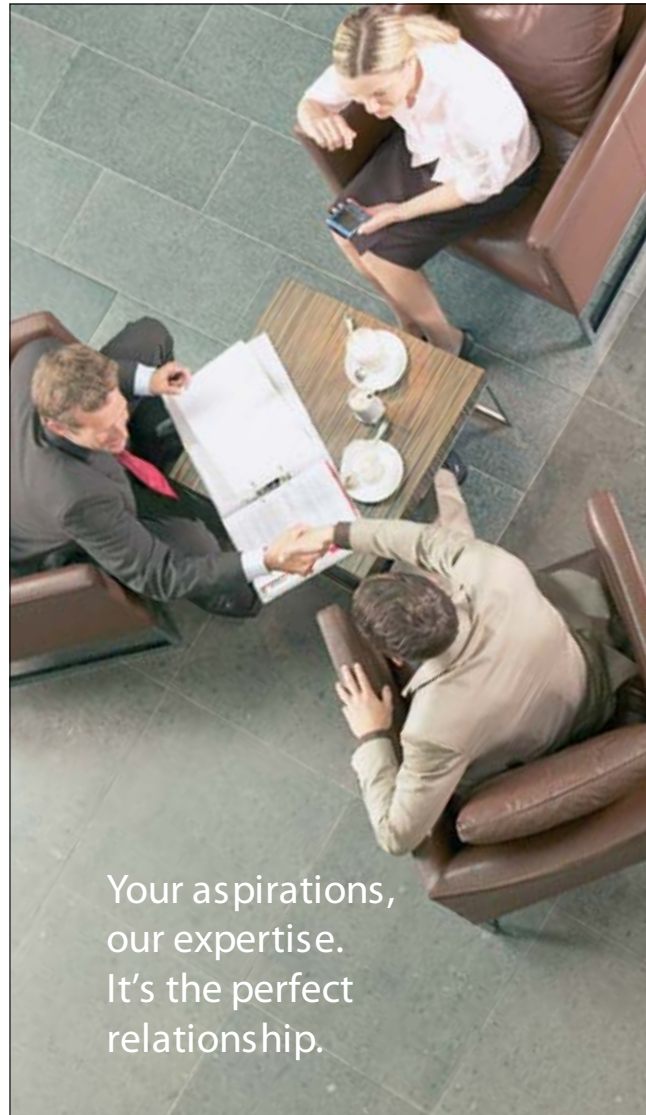
As a Captive matures and starts to build up surplus funds, it may then look to consider adding a modest allocation to equities to further enhance returns and diversification to the investment portfolio. In today's low interest rate environment, coupled with a Captive's needs to earn specific rates of return to match liabilities, an allocation to equities can provide a boost to performance. A conservative asset allocation with a modest exposure to equities can actually lead to higher returns with little or no change in risk. For example, over the past 47 years, a portfolio with 80% bonds and 20% equities had an almost equal amount of risk, as measured by standard deviation, and higher returns versus a 100% fixed income portfolio.



Many Captives that have been established for several years and have a considerable amount of excess reserves, will consider adding hedge fund solutions for additional diversification and potential boost to performance. However, allocations to this asset class are usually quite small as liquidity in these securities can be limited.

Barbados, as a jurisdiction, has many world class investment management firms located on the island. These firms work closely with Captives at every stage of their life cycle and can cater to all of their investment needs. This, in addition to the many value added benefits mentioned previously, make Barbados one of the main jurisdictions of choice when deciding to establish a Captive insurance company. *

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Trust Planning Considerations for Preserving Wealth

BY LIZA HARRIDYAL-SODHA

When affluent individuals and families ponder on their estate planning needs, asset management and protection, the preservation of wealth, tax planning and business continuation, the usual structure recommended by wealth management professionals continues to be the Trust.

A Trust, is administered by a trustee who, has title to all of the assets and usually owns the shares of a privately held underlying company. The Trust can own a variety of assets ranging from bank accounts to real property to chattels, or may have the right to receive income from a third party. Recently, many jurisdictions which offer financial services have amended their laws to encourage the development of alternative trust structures, as a means of increasing their ability to attract a multiplicity of new wealth management based business.

Barbados is determined to attract diverse and spontaneous investment through the enactment of legislation which allows for the formation of Private Trust Companies (PTCs) and, more recently, Foundations.

PTC's were borne out of the necessity for greater control by families over their Trust, and have become a very attractive option for clients. The settlor and his/her family can legally exercise greater control over the administration of the assets of the Trust. Such flexibility is favoured over the traditional trust structures, where the trustee is the legal owner and custodian of assets and the beneficiaries are subject to the total and complete discretion of the trustee, who must approve all actions. PTCs will offer managerial powers, as they relate to the transfer



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of the trust assets to other family members, through the use of Board Committees. The modus operandi of the PTC will allow the client to make administrative changes as needed, without actually affecting the trustee position.

The Barbados wealth management landscape will also soon feature Foundations. A Foundation can best be described as a fund which has been endowed by its founder (known as the settlor in the Trust scenario) to be utilised for persons or purposes, as detailed in its statutes. Unlike a traditional Trust, a Foundation is a legal entity that has no owners, but instead, is a legal person that can bring and defend legal action and has unlimited capacity to contract on its own behalf. Foundations come into existence after being registered on a public register. A Management Board or Council is appointed to make administrative decisions consistent with the by-laws. The fiduciary duty of the Council is to the Foundation itself, whereas the trustees of a Trust owe a duty of care to the beneficiaries only. Assets placed or transferred to a Foundation become the property of the Foundation and therefore are independent of the settlor. The term of the Foundation is stipulated in the Foundation's charter, and thus the Foundation can exist in perpetuity or have a life-span as defined in its statutes. As with a Trust, the Foundation cannot engage in commercial trading, but the Foundation's ability to own a trading company is ideal when holding interests in a private company is contemplated by the

founder. The settlors of a trust and the founders of a Foundation have in common the ability to direct the investment activities of the trusts, as well as the ability to veto management decisions.

It is significant that Barbados has recently concluded various tax treaties with several Central and Latin American countries, in which there is no practice of utilising trust structures under civil law regimes. It is anticipated that Barbados will attract more international business using Foundations, as the answer for affluent individuals from civil law jurisdictions who want to manage wealth in an offshore location. The Foundation will afford these individuals the ability to transfer ownership to a separate legal entity while still retaining control of how the assets are managed and distributed.

In a world where flexibility and innovation are key to economic survival and success, Barbados continues to advance its position as a leading international financial centre, through the exercise of modern legislative prowess. The enactment of legislation to govern PTCs and Foundations as alternatives to asset protection structures will enhance the products available to wealth management practitioners, who need to be prepared for the changing needs and fortunes of clients and civil law regimes worldwide. 🌱



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- ☑ Ecological walks

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- ☑ Historic Buildings & Sites
- ☑ Museums
- ☑ Rum distilleries
- ☑ Plantation homes

the list goes on...

Exchange Traded Funds - One of the Fastest Growing Areas of the Financial Market

BY ALLEN RANSOME

What are Exchange Traded Funds?

An Exchange Traded Fund (ETF) is a security that tracks an index, commodity or a basket of assets. It allows investors to efficiently gain or reduce exposure to countries, regions, sectors, investment styles, fixed income securities, currencies and commodities. ETFs are similar to mutual funds in that they are comprised of portfolios of stocks, bonds or other securities. They trade and settle, however, like a stock on an exchange, and can be purchased on margin, borrowed and sold short. Although they do not have a fee loaded, there is a management fee levied. Management Expense Ratios (MER) are typically much lower for an ETF. The MER is typically deducted from the dividend payments. They are also more transparent than a mutual fund as investors have access to portfolio composition on a daily basis. The ETF market has grown considerably since the first ETF was launched in 1993. Industry growth is being driven by:

- Greater acceptance of the product among retail and institutional investors
- Growth in the number and range of indices from index providers
- The number of fund companies issuing and managing ETFs.

The success of ETFs is not a retail phenomenon, as major financial institutions, institutional investors and captive insurance companies in Barbados have actively incorporated them into their trading and investment strategies. Almost every major equity fund manager uses ETFs to some extent or another. One of the key uses is “cash equalisation”, whereby a portfolio manager parks cash in the benchmark index via an ETF until they have determined which securities to buy. ETFs differ from traditional mutual funds as they are a passively managed product.

Currency Exposure

Currency is one of the least well understood aspects of ETFs and often one of the biggest hindrances. When purchasing an ETF priced in US dollars which tracks a foreign index (e.g. MSCI Japan Index), the currency exposure is to that of the underlying foreign market, unless currency exposure has been hedged.

Liquidity

While ETFs may appear liquid at times, equity ETFs are only as liquid as the underlying index. The designated market maker for an ETF has the ability to create or redeem units on demand. This redemption/creation process keeps an ETF market price close to its net asset value.

Dividends

ETF unit holders are entitled to receive the dividends paid by the companies held in the portfolio. Similar to mutual funds, ETFs tend to deduct management fees from dividends and distribute what cash, if any, is left over – but not all ETFs pay dividends on a quarterly basis.

Leveraged ETFs

Although similar to other ETFs, through the use of derivatives or debt, the leveraged ETFs magnify the returns of an underlying index. In all cases, whether their leverage ratio is 2:1 or 3:1, these ETFs are designed to provide multiples of the daily investment results for a referenced index, less fees and expenses.

Advantages of ETFs

1. Diversification
2. Lower Fees and Higher Performance
3. Liquidity
4. Tax Efficiency
5. Portfolio Management – the ease with which a portfolio can be rebalanced. An investor’s assets can be reallocated across sectors, asset classes or globally by simply reducing the position in one ETF and adding to the position of another ETF.

Potential Risks

On the flip side, one must be aware of potential risks that ETFs pose. The Financial Stability Board pointed out, in 2011, that:

- An underlying provider might face difficulties liquidating the collateral and may be faced with the difficult choice of either suspending redemptions or maintaining them, thereby facing a liquidity shortfall at the bank level;
- A bank default could result in contagion and investors may be exposed if an underlying bank which creates ETFs fails; and
- ETFs might create risks for market liquidity in the event of a Black Swan sell-off in the markets.

At the time of this publication, the financial community had experienced two instances where rogue traders lost billions of dollars trading (or using creative fraudulent accounting) ETFs. Notwithstanding this, the merits of ETFs remain a useful tool in any investment strategy and portfolio management. 🌟



Barbados Double Taxation Treaties –Withholding tax rates

A significant part of Barbados' international business is facilitated through its expansive treaty network, which highlights the country's commitment to preventing fiscal evasion and avoiding double taxation. The following table details the withholding tax rates applicable to payments of dividends, interest, royalties and management fees from Barbados as at 15 December, 2011.

	DIVIDENDS %	INTEREST %	ROYALTIES %	MANAGEMENT FEES %	ENTRY INTO FORCE
Non-treaty countries	15	15	15	15	
Austria	15/5 (1)	0 (2)	0 (2)	-	01 Apr 2007
Botswana	12/5 (3)	10	10	-	12 Aug 2005
Canada	15	15 (4)	10 (5)	5	22 Dec 1980 (27)
CARICOM	0	15	15	15	07 Jul 1995
China P.R.C.	10/5 (6)	10	10	-	27 Oct 2000 (28)
Cuba	15/5 (7)	10	5	-	16 Mar 2000
Czech Republic*	15/5 (7)	5	15/10 (8)	-	-
Finland	15/5 (1)	5	5	5	20 Aug 1992 (27)
Ghana*	15/5 (1)	0 (9)	0 (10)	-	-
Iceland*	15/5 (1)	10	5	-	-
Luxembourg	15/0 (11)	0 (2)	0 (2)	-	08 Aug 2011
Malta	15/5 (12)	5	5	-	19 Jun 2002
Mauritius	5	5	5	-	28 Jan 2005
Mexico	10/5 (13)	10	10	-	16 Jan 2009
Netherlands	15/0 (14)	5	5	-	12 Jul 2007 (29)
Norway	15/5 (1)	5	5	5	03 Jul 1991 (27)
Panama	5 (15)	7.5/5 (16)	7.5	-	18 Feb 2011
Portugal*	15/5 (17)	10	5	-	-
Seychelles	5	5	5	-	21 Apr 2008
Spain	5/0 (18)	0 (2)	0 (2)	-	14 Oct 2011
Sweden	15/5 (1)	5	5	5	01 Dec 1991 (27)
Switzerland	0 (19)	0 (19)	0 (19)	-	26 Aug 1963
United Kingdom	0 (20)	15 (21)	15 (22)	-	26 Nov 1970
United States	15/5 (23)	5	5	-	28 Feb 1986 (30)
Venezuela	10/5 (24)	15/5 (25)	10	-	01 Jan 2001
IBCs, ISRLs, QICs & EICs:	(26)	(26)	(26)	(26)	

*Treaty not yet in force; awaiting ratification

Treaties awaiting signature: Bahrain, Belgium, Italy and Vietnam

Notes

- The rate is 15% for portfolio dividends and 5% for holdings of at least 10%.
- Interest and royalties are only taxable in the state in which the beneficial owner of the dividends or interest is resident.
- The rate is 12% for portfolio dividends and 5% for holdings of at least 25%.
- This rate applies provided that the interest is subject to tax in the other territory.
- This rate applies provided that the royalties are subject to tax in the other territory.
- The rate is 10% for portfolio dividends and 5% for holdings of at least 25%.
- The rate is 15% for portfolio dividends and 5% for holdings of at least 25%.
- 5% of the gross royalties on any literary, artistic or scientific work including films or television broadcasting, and 10% on any patent, trademark, commercial or scientific equipment among others.
- Interest is only taxable in the state in which the beneficial owner of the interest is resident.
- Royalties are only taxable in the state in which the beneficial owner is resident.
- The rate is 15% for portfolio dividends and 0% for holdings of at least 10%, held for at least 12 uninterrupted months prior to dividend distribution.
- The rate is 15% for portfolio dividends and 5% for holdings of at least 5%.
- The rate is 10% for portfolio dividends and 5% for holdings of at least 10%.
- The rate is 15% for portfolio dividends and 0% for holdings of at least 10%.
- The rate is 75% of the statutory nominal rate at the time of distribution; 5% for companies with holdings of at least 25%.
- The rate is 7.5% of the gross amount; 5% if beneficial owner is a bank.
- The rate is 15% for portfolio dividends and 5% for holdings of at least 25%.
- The rate is 5% for portfolio dividends and 0% for holdings of at least 25%.
- Agreement extended to Barbados by virtue of the agreement between Switzerland and the UK, on payments to non residents from Barbados.
- Dividends are exempt from withholding tax if they are subject to tax in the other territory.
- This rate applies provided that the interest is subject to tax in the other territory.
- Withholding tax applies only to royalties in respect of cinematographic or television films. All other royalties are exempt from withholding tax, provided that they are subject to tax in the other territory.
- The rate is 15% for portfolio dividends, 5% for holdings of at least 10%. Dividends paid by a regulated investment company will bear withholding tax at a rate of 15%, regardless of the percentage of shares held by the recipient. Dividends paid by a real estate investment trust ("REIT") will qualify for the 5% withholding rate only if the beneficial owner is an individual holding less than 10% of the shares in the REIT, otherwise, a 30% withholding tax rate will apply.
- The rate is 10% for portfolio dividends, 5% for holdings of at least 5%.
- The rate is 5% if the recipient is a bank, 15% in all other cases.
- International business companies, international societies with restricted liability, exempt insurance companies and qualifying insurance companies are exempt from withholding taxes on payments to non resident persons or international business entities. Specific legislation applies.
- Protocol signed November 2011, awaiting ratification.
- Protocol in force 9 Jun 2010.
- Protocol in force 23 Dec 2010.
- General effective date 01 Jan 1984. First protocol in force 29 Dec 1993. Second protocol in force 20 Dec 2004.

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