



RESPONDING TO THE CHALLENGES AND OPPORTUNITIES OF AUTOMATIC EXCHANGE OF INFORMATION

Bruce Zagaris

Increasingly the international community (e.g., the OECD, G20, and G8) is demanding that all countries implement automatic exchange of information (AEI) based on the U.S. Foreign Account Tax Compliance Act. The transition to AEI presents challenges and opportunities for Barbados. The impact of AEI will require the Barbados international business and financial sector (IBFS) to be more transparent if it wants to maintain and attract new business, since tax authorities will provide incentives and disincentives to comply. Inevitably, since the Global Forum will monitor AEI, countries failing to comply with new international standards will be cited and will be on a grey or blacklist and will lose business and have their financial flows impeded.

The increased emphasis on transparency should not be difficult for the Barbados IBFS since Barbados has not relied on secrecy to attract business. However, increased transparency regulatory requirements challenge Barbados to anticipate new standards and maintain its capacity to implement increased transparency and regulatory requirements.

Even though AEI apparently extends broadly to products, such as trusts and foundations, Barbados' business traditionally has been from treaty links and the ability of clients to reduce withholding taxes and/or not be subject to Foreign Accrual Property Income (FAPI) in the case of Canadians. To the extent the IBFS and trusts or foundations in other jurisdictions were based on secrecy, the trend toward AEI and increased transparency is more evidence that secrecy is not the way to go. If Barbados continues to increase its offerings of financial products and tax and investment treaties, its IBFS will continue to be viable.

In the future Barbados' ability to conclude double tax treaties (DTAs) with developed countries will depend in part on whether Barbados can distinguish itself as a well regulated and transparent jurisdiction and in some case develops substantive commercial relations with prospective treaty countries. Some countries, such as the ones with which Barbados already has DTAs, will be interested in signing DTAs, as long as they have proper anti-treaty abuse (limitation on benefits) provisions.

(continued on page 3)



Flags of 53 Commonwealth nations were on show during the 375th anniversary celebrations of Parliament.

INSIDE THIS ISSUE

Responding to Challenges and Opportunities Of the Automatic Exchange of Information	1
IBFS Seminar Concludes: Barbados CAN move from "Pass to First Class"	2
Report Analyses Barbados Competitiveness.....	3
Mining Company joins local IBFS Community	4
<i>Euro money</i> 2014 Guide To Barbados.....	4
Exchange Control Forms, Info Available	4
Barbados One Cent Coins Being Phased Out	4
Editor's Note.....	5
Featured Contributors to this issue	5
Reports on Key AML/CFT Meetings	6
2013 Financial Stability Report Released	7

published by
Central Bank of Barbados
Tom Adams Financial Centre
Spry Street, Bridgetown,
BARBADOS 11126
Phone: (246) 436-6870
Fax: (246) 436-7836
E-mail: info@centralbank.org.bb

IBFS SEMINAR CONCLUDES: BARBADOS **CAN** MOVE FROM 'PASS' TO 'FIRST-CLASS'

Those attending a recent conference for IBFS practitioners and stakeholders in Barbados were reminded of the tremendous opportunities in Canada, Latin America, the BRICs, and Africa. Given Barbados' tax framework and incentives, along with our local expertise, know-how and skills, the sector can be restored to vibrancy.

The international business and financial services (IBFS) sector accounts for the second largest amount of foreign exchange inflows into this country, in spite of the fact that international economic challenges since 2007, pressures from our principal IBFS market (Canada), and constant demands to respond to international rules, have impacted on earning capacity and foreign investment.

A veritable shopping list of solutions to revive the industry were offered by presenters — these included the implementation of a code of conduct, devising a clear business plan and strategy for the sector, diversifying the product, tweaking some of the existing laws and responding appropriately to rapidly emerging international laws and regulations.

In delivering Opening Remarks, The Hon. Donville Inniss, Min. of Industry, International Business, Commerce and Small Business Development, noted the increase of registrations of IBCs and SRLs in 2013, and the resultant 11% increase in revenues in this area. He challenged the audience to set sights on becoming the key international financial wealth and business centre in the western hemisphere." Ryle Weekes pledged the support of BIBA in forging new markets with new treaties and products, a necessary objective especially since, "We have all witnessed in the past few weeks, the ramifications of placing all our eggs in one basket." Facing continued pressure to raise more revenues at home, Canadian decision makers have instituted policies in recent years that many here fear will adversely impact the local international business and financial services sector. Many of these latest concerns stem from measures introduced in the 2014 Canadian budget.

In one of his presentations, Partner and tax expert with Couzin Taylor LLP, Angelo Nikolakis identified opportunities available for consultations on Base Erosion and Profit Sharing (BEPS) and Treaty Shopping, despite measures outlined in the 2014 Canadian budget. As he pointed out, Barbados remains a very strongly regulated jurisdiction, having successfully completed its third Financial Stability Assessment Programme and having its tax transparency favourably assessed by the OECD's Global Forum on Tax Transparency and Exchange of Information for Tax Purposes.



SEMINAR PHOTOS: ① Tyson Thompson contrasts bilateral tax treaties with bilateral investment treaties. ② Shown here with Professor Walid Hejazi, retired Canadian Senator the Hon. Donald Oliver (left) promotes grass roots lobbying as a response to campaigns to stem Canadian investments in Barbados. ③ BIBA President Ryle Weekes spoke during the opening session. ④ Local stakeholders and practitioners filled the audience.

Another huge incentive for international businesses in Barbados is the growing network of tax and information exchange agreements that can be used as springboards for Canadian companies seeking to establish operations in those jurisdictions as well.

Professor Walid Hejazi of the Rottman School of Management used statistics to show that Barbados is the third most important offshore jurisdiction to Canada after the USA and UK, supporting the conclusion that federal tampering with that relationship would hurt Canada and hinder the entry of many Canadian businesses into global markets. Hejazi's assertion is that decades of symbiotic business activity between the two countries have positioned Barbados as vital to Canada's global strategy, with the bottom line being that the Canada-Barbados link is clearly a win-win for both economies.

In assessing the value of the conference, Central Bank Governor Dr. DeLisle Worrell commented that "Our IBFS Conference on March 12 was like a shot of adrenaline, as we gear up for a renewed thrust in the Canadian market and elsewhere. The conference was our best to date, in terms of insight and analysis, with outstanding presentations and positive messages."

This year's conference was a clarion call for action in the sector and already a small task force has been charged with constructing a plan of action to enforce some of the ideas emanating from the seminar.

If the spirit at the conference is a barometer of the enthusiasm and the will, then taking the Barbados IBFS Centre "From Pass to First Class" is an achievable objective.

NEW REPORT ANALYSES BARBADOS' COMPETITIVENESS

An insightful research paper released in February 2014 investigates the competitiveness of the Barbadian economy relative to its regional counterparts. Entitled, "**Barbados' International Competitiveness**", the analysis incorporates the relative rankings of the Global Competitiveness Report 2013-2014, relative market shares and productivity gains, as well as a novel price competitiveness index by Worrell, Greenidge and Lowe (2013).

The results suggest that Barbados is competitive both regionally and globally, ranking ahead of its peers in key areas such as the strength of its institutions and the quality of its health care and primary and higher education. In addition, despite some declines in tourism post-crisis, the island has maintained market share in most of its key foreign exchange earning sectors, while seeing improved price competitiveness of its internationally traded goods and services over the past decade. The research was conducted jointly by Central Bank Governor DeLisle Worrell, a prolific researcher and published author, and Shane Lowe, an Economist at the Central Bank of Barbados Research and Economics Department. The paper can be [downloaded](#) from the Central Bank website.

Responding to the Challenges and Opportunities of AEI (continued from page 1)

Some jurisdictions preoccupied with tax compliance, especially ones focusing on so-called tax havens or low-tax jurisdictions, may not want to have a DTA with Barbados. With some of those jurisdictions such as Brazil, the best way Barbados can position itself to make them want to have a DTA is to develop enough substantial commercial and other relations and show them that Barbados is transparent. Barbados may want to conclude a TIEA with such jurisdictions as a confidence-building measure. With some countries, such as the Peoples' Republic of China, Canada, and the U.S., Barbados may be able to continue concluding a DTA, but the value of such DTAs may ebb and flow with anti-abuse laws and treaty provisions. To the extent that Barbados' response to AEI results in the perception that Barbados remains a transparent and well-regulated jurisdiction, it will be able to increase its DTAs and investment treaties and increase its market for IBFS.

MINING COMPANY JOINS BARBADOS IBFS COMMUNITY

One of the latest companies to enter the local IBFS sector is [Franco-Nevada](#), a Canadian megacompany headquartered in Toronto with additional offices in the U.S., Australia and now Barbados, all of which are used to manage the group's asset portfolio and pursue new investment opportunities. The company's website describes Franco-Nevada Corporation as a gold-focused royalty and stream company with additional interests in platinum metals and other resource assets. It is the leading gold royalty and stream company by both gold revenues and number of gold assets. Franco-Nevada shares trade on the Toronto Stock Exchange and New York Stock Exchange under the symbol "FNV" and are part of the S&P/TSX Composite Index. Shareholders consist of mostly large generalist institutional funds in the United States, Canada, Europe and Australia.

2014 EUROMONEY GUIDE TO BARBADOS NOW AVAILABLE

EUROMONEY Magazine has released its "2014 Guide to Barbados", a 20-page booklet analyzing the country's performance in the areas of Infrastructure, Efficiency and Stability, and presents Euromoney Country Risk (ECR) data to explain how the island continues to outrank its regional counterparts in adapting recent changes.

Barbados is described as stable, with an "extraordinarily diverse and robust economy". Additionally, its double-barreled appeal of low levels of corporate and income tax coupled with a "super-high quality of life" are said to strengthen its appeal to investors, funds, skilled workers and wealthy retirees. Both text and tables evaluate the country in the context of rankings earned by its Caribbean neighbors, and nutshell summaries review performance in a number of areas.

The informed perspectives of a number of persons are shared in the compact glossy, either as quotes or articles. Represented are Jeremy Stephens (President, Barbados Economic Society), Central Bank Governor Dr. DeLisle Worrell, Glyne Harrison (CEO, First Citizens Bank (Barbados), Connie Smith (Managing Director, Tricor Caribbean), Marlon Yarde (CEO and General Manager, Barbados Stock Exchange), Warrick Ward (Deputy CEO, Financial Services Commission), Sir Trevor Carmichael (Chairman, Chancery Chambers), and Minister Donville Inniss (Ministry of Industry, International Business, Commerce and Small Business).

Published by London-based Euromoney Institutional Investor PLC, the booklet can be downloaded from the [Euromoney](#) and [Central Bank](#) websites, or copies requested from the Bank.



NEW

EXCHANGE CONTROL FORMS, INFO NOW AVAILABLE

The process of exchange control liberalisation began in the mid-1990s when commercial banks were granted delegated authority to approve payment for several trade transactions which hitherto required the prior approval of the Central Bank. The pace of liberalisation was accelerated over the last five years so as to enable Barbados to meet its obligation under the Caribbean Single Market and Economy CSME).

To further facilitate personal and institutional customers, the Central Bank's Foreign Exchange and Exchange Control Department has recently placed a set of new information on the Bank's website, including: (1) Guidelines to Acquiring Exchange Control Permission; (2) Authorised Dealers/Depositories; (3) Exchange Control FAQs; and (4) a Dictionary of Exchange Control Terms.

BARBADOS ONE CENT COINS BEING PHASED OUT

From May 7, 2014, the Central Bank of Barbados will cease issuing one cents. Although the coins will no longer be issued, they will remain legal tender and can continue to be spent, or alternatively, exchanged at financial institutions indefinitely. The decision to phase out the lowest denomination coin was based on its high production costs compounded by low redemption rates, which necessitated the minting of large volumes annually.

Editor's Note



[Laurie Blackman](#)

This issue reviews the plethora of meetings, seminars and special events held during the first quarter of 2014 for the local IBFS community to stay abreast of important developments, and anti-money laundering, (AML) and compliance issues seemed to take centre stage.

In covering the annual IBFS Seminar in early March, the words of King James I (1609) were brought to mind: *"The taller the trees be, the more in danger of the wind"*, as major talking points were the 2014 Canadian budget, its implications for Barbados and the charting of an appropriate Barbadian response. This issue gives an insider's look at the programme and the 'meat' of the key presentations.

We are pleased to include Bruce Zagaris' article on the Automatic Exchange of Information, and also grateful for write-ups by Cheryl Greenidge on a series of local, regional and international AML/CFTAF meetings which she attended.

Submissions from new contributors, and representatives of stakeholder agencies are invited along with comments and other feedback; please direct them to laurie.blackman@centralbank.org.bb.

ABOUT the IBFS Newsletter.....

It is a quarterly electronic publication, released exclusively on the Central Bank of Barbados' website, www.centralbank.org.bb. There is no subscription fee involved in accessing the publication. The primary target audience includes professionals who are experienced and knowledgeable about the dynamics of the Barbados international business and financial services sector, and are keen on monitoring the global issues which may impact it. Article ideas and submissions may be forwarded to Laurie Blackman, Editor.

Editorial Team

Laurie Blackman, Editor
laurie.blackman@centralbank.org.bb

Matthew Williams-Rawlins, Website Operations
Matthew.williams-rawlins@centralbank.org.bb

Sadie Dixon, Legal Counsel
sadie.dixon@centralbank.org.bb

Novaline Brewster, Public Affairs Officer
novaline.brewster@centralbank.org.bb

Harold Codrington, Deputy Governor
harold.codrington@centralbank.org.bb



Although the country boasts a modern and built-up infrastructure, a drive around the island still reveals well-kept gardens and rural scenes of fields being prepared for planting.

FEATURED CONTRIBUTORS to this issue

Bruce Zagaris

Bruce Zagaris is the founder and editor-in-chief of the International Enforcement Law Reporter, and is a partner in the Washington, DC law firm of Berliner, Corcoran & Rowe LLP. email: bzagaris@bcr-dc.com

Cheryl Greenidge

Cheryl Greenidge is the Deputy Director of the Bank Supervision Department of the Central Bank of Barbados. She has worked on the reform of key financial legislation and guidelines, represents the Central Bank on the board of the Anti-Money laundering Authority and heads its Financial Working Group.
email: cheryl.greenidge@centralbank.org.bb

CHERYL GREENIDGE REPORTS:**LOCAL, REGIONAL & INTERNATIONAL AML/CFT MEETINGS CONTINUE APACE****Cheryl Greenidge**

"The Central Bank of Barbados is keen to continue to make a seminal contribution to the very important work of the CFATF and engaging on global policy formulation. Along with other institutions, the Bank was represented at several key local, regional and international AML/CFT events."

*** FEBRUARY 6, 2014 - COMPLIANCE OFFICERS' MEETING, (BARBADOS)**

This half day event was arranged by the Barbados Financial Intelligence Unit and attended by a cross-section of Compliance Officers from the banking sector (including domestic and international banks, credit unions, trust & corporate service providers, attorneys, accountants, money service businesses). Mrs. Cheryl Greenidge, Deputy Director, Bank Supervision Department, delivered a presentation on *"The New International Standards & How They Affect Financial Institutions"*, while representatives from the Royal Barbados Police Force (RBPF) and the Financial Intelligence Unit spoke on *Local, Regional & International Trends for ML & TF; Successes & Challenges in Compliance with the MLFTA*; and *Trends & Typologies of Financial Crimes in Barbados*. The topics, mixed perspectives of the presenters and the diverse audience make this an event not to be missed on the local calendar.

*** FEBRUARY 12 - 14, 2014: FATF PLENARY MEETING, (PARIS, FRANCE)**

The Caribbean Financial Action Task Force (CFATF), being a FATF Regional Styled Body, attends and actively participates in meetings of the plenary and working groups of the standard setting body. The CFATF's Evaluation & Compliance Working Group, and Policy Development Working Group are chaired by Ms Cheryl Lister (Chairman, National Anti Money Laundering Committee, Bermuda) and Mrs. Cheryl Greenidge, respectively, either of whom attend FATF Plenary meetings on a regular basis to facilitate effective execution of the mandates of both groups. The February Plenary discussed several important matters key to the start of 4th round evaluations which commenced with Spain and Norway (October 2014), including discussion on Universal Procedures for Fourth Round Assessment Bodies, the FSAP policy on AML/CFT Assessments and 3rd Round Follow Up reports. Antigua & Barbuda successfully exited the FATF monitoring process after an extended journey to implement reforms to address their strategic deficiencies. The Draft Guidance on Transparency and Beneficial Ownership was discussed and is to be further refined in order to guide countries on their decision making processes and how best to implement FATF Recommendations 24 and 25.

*** MARCH 19 - 20, 2014 - AML/CFT SESSIONS DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONALS (BARBADOS)**

Mr. Stephen Thompson, Inspector, Bahamas Compliance Commission and Ms. Susan Francois, Director, FIU of Trinidad & Tobago were the specially invited presenters sourced by the Barbados Financial Intelligence Unit to share their experiences on the regime for designated business and professionals in their respective jurisdictions. The seminar was well attended by the real estate sector, dealers in precious metals & stones, trust and company service providers, attorneys and accountants, and forms part of the FIU's ongoing efforts to sensitize practitioners in these critical professions, sometimes described as "gatekeepers".

*** MARCH 24 & 25, 2014 - FATF STANDARDS TRAINING FOR PUBLIC SECTOR OFFICIALS (BARBADOS)**

Attendees were made more intimately aware of the 2012 revised standards and their roles in implementing systems to prevent money laundering and the proliferation of terrorist financing. Mr. Roger Hernandez, Financial Advisor and Ms. Ana Folgar, Legal Advisor, CFATF were the expert presenters for this training exercise. Assessor training and pre-assessment training have also been conducted in Jamaica, El Salvador and Trinidad & Tobago. Further training will be conducted in 2014 and beyond, to tool member countries for their 4th round assessments.

* **MARCH 26 & 27, 2014 - CFATF REGIONAL WORKSHOP ON CONDUCTING NATIONAL RISK ASSESSMENTS (BARBADOS)**

The CFATF 4th Round of mutual evaluations commences in 2015 and the NRA is key to the effectiveness component of the **2013 Methodology For Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems**. FATF Recommendation 1 states *"Countries should identify, assess and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources aimed at ensuring the risks are mitigated effectively."* The Barbados delegation comprised representatives from the Central Bank of Barbados, Financial Services Commission, International Business Unit, Financial Crimes Investigation Unit, RBPF, Offices of the Directors of Public Prosecution and Solicitor General, and the Financial Intelligence Unit. A national plan is to be formulated. To date, NRA workshops were also held in the British Virgin Islands and Honduras.

* **APRIL 2 - 3, 2014: FIRST REGIONAL AML CONFERENCE (THE BAHAMAS)**

This inaugural event targeted high level officials from Government and the private sector involved in the AML/CFT institutional framework. Specially invited speakers included CFATF Chairperson Sen. Hon. Allyson Maynard-Gibson, who is the Attorney General and Minister of Legal Affairs for the Commonwealth of The Bahamas, and FATF President Mr. Vladimir Nechaev. Ministers/Attorneys General considered and endorsed The CFATF - Nassau Declaration which among things "confirmed that all CFATF Members should use their best endeavours to be fully prepared for the Fourth Round of Mutual Evaluations which will commence in January 2015, and that the regional goal should be that all CFATF Members will emerge therefrom, having achieved at least seventy five percent (75%) compliance with the FATF Recommendations". The presence of the FATF President in the region so soon after the November 2013 CFATF Plenary, which he also attended, is noteworthy. Mr. Nechaev remarked then, that *"CFATF plays a very important role in that (global AML/CFT) network and you are doing excellent work to foster implementation of the FATF standards here in the Caribbean region. Since 2010, you have been working on what I would call the reinvention and transformation of CFATF.... Three years ago, my predecessor euphemistically remarked that there was a perception that CFATF did not compare as favourably as it should with other FATF-style regional bodies. At this meeting, I am able to state without a doubt that CFATF should now be perceived as **one of the best in its class.**"*

2013 FINANCIAL STABILITY REPORT NOW AVAILABLE

The Central Bank of Barbados (Bank) and the Financial Services Commission (FSC) have released the [2013 Financial Stability Report \(FSR\)](#), which shows that the domestic financial system remains robust. Produced jointly by the Bank and the FSC, the report which was released in late February 2014 provides a comprehensive overview of trends, developments and the key risks in the financial system of Barbados.

The 2013 document assesses a range of financial stability indicators for commercial banks, trust and finance houses, credit unions, and insurance companies, as well as balance sheet and income and expenditure trends. For the banking system, financial forecasts are used to project expectations for capital adequacy and the quality of credit. Progressive stress tests were also used to test for possible contagion among banks, and banks' exposures to financial institutions abroad.

The report's findings are similar to the independently derived Financial Sector Stability Assessment (FSSA) conducted by a joint IMF/ World Bank team in 2013. The FSSA also concluded that the financial system would remain robust, except in the case of extreme economic shocks.



A view of the Speightstown jetty in the parish of St. Peter.