



**GUIDELINE ON ARRANGEMENTS FOR TRANSITIONING
TO THE FINANCIAL INSTITUTIONS ACT CAP. 324A (FIA)
BY LICENSEES PREVIOUSLY LICENSED UNDER
THE INTERNATIONAL FINANCIAL SERVICES ACT CAP. 325 (IFSA)**

1. The International Financial Services Act, Cap. 325 (IFSA) was repealed by the Financial Institutions (Amendment) Act, 2018 ("the amended FIA"). This Guideline applies to licensees previously licensed under that Act and that are transitioning to the *Financial Institutions Act*, Cap. 324A (FIA). Such licensees are deemed to be licensed under Part IIIB of the amended FIA as foreign currency earning banks (FCB) effective January 1, 2019. The amended FIA provides in Part IIIA for the licensing of financial holding companies. Section 41G of the FIA contains the transitional provision for companies licensed under Part IIIB and carrying on the functions of a financial holding company.
2. Licence fees will continue to be applied at current levels until otherwise advised.
3. Subsequent to the statutorily permitted transition referred to in paragraph 1 hereof, there will be a six-month grace period commencing from the date of issuance of this Guideline, in which a licensee's status will continue uninterrupted and during which any legally or regulatory matters that emanate from the transition to the FIA (such as filing amended Articles with the Corporate Affairs and Intellectual Property Office ("CAIPO"), or attending to outstanding filings with the Barbados Revenue Authority or the National Insurance Department, can be completed.
4. The Central Bank of Barbados (Bank) will give consideration to extending the grace period in extenuating circumstances, but reserves the right to recommend that the licence be suspended where a licensee fails to attend to any legal or regulatory matters as mentioned above, within the grace period.
5. Where an amendment is needed to the Articles of Incorporation of an IFSA licensee transitioning to the FIA, licensees should note that authority for approval regarding the amendments to the Articles of Incorporation has been delegated to the Bank under the amended FIA. Section 114 of the FIA has been retained in order to provide for any consequential amendments to the Companies Act arising from the introduction of FCB regime. CAIPO and the Bank will collaborate as necessary to establish and communicate a common regulatory position.

6. Licensees that are transitioning to the FIA and whose ownership or subsidiary structures include entities licensed under statutes that have been repealed, e.g. International Business Companies (IBC) Act, must notify the Central Bank of any proposed group reorganizations within 90 days of the issuance of this Guideline. This would:
 - (a) facilitate identification of changes in group organisation or holdings which would deviate from what was previously approved;
 - (b) allow for regulatory review if warranted; and
 - (c) ensure continued effective consolidated supervision.
7. Regulators will collaborate towards enhancing the regulatory regime for Regular Business Companies (RBCs), which will replace IBCs. These enhancements will facilitate the Bank's review of all banking groups that in the future will include RBCs, and determination of any conditions that may be deemed necessary.

Savings/Grandfathering Policy

8. Section 35 of the amended FIA contains a savings or grandfathering provision for licensees. This allows old rules to continue to apply to those entities that opt to grandfather. Accordingly, notwithstanding the repeal of IFSA, the rights and benefits conferred upon licensees under IFSA are saved as is hereby provided:
 - a. a licensee holding a valid licence issued prior to October 17, 2017 shall be entitled to receive the benefits thereof until June 30, 2021.
 - b. A licensee holding a valid licence issued on or after October 17, 2017 shall cease to be entitled to the benefits thereof after December 31, 2018. Such licensees will be subject to the arrangements for transitioning to the FIA.

Further, any obligation or penalties incurred by a licensee under the IFSA during the period of operation of that Act shall not be affected and any investigation, legal proceeding or remedy in respect thereof may be instituted, continued or enforced and such penalty imposed as if the IFSA had not been repealed.

9. If a licensee wishes to avail itself of the savings/grandfathering provisions, it must advise the Bank of its intent to be grandfathered as provided in Section 35 of the amended FIA.
10. A grandfathered licensee must amend its Articles of Incorporation, as applicable, within the 6 months grace period referred to in paragraph 3 of this Practice Direction Guideline.

Exiting Grandfathered Status

11. Where a grandfathered licensee chooses to exit its grandfathered status before June 30, 2021, it shall notify the Bank. Upon notification and subsequent confirmation of non-objection by the Bank, such licensee shall be deemed to be fully licensed under the FIA and the transitioning arrangements above shall apply.

Additional Benefits and Exemptions

12. Holders of a foreign currency permit (FCP) will benefit from income tax concessions for specially qualified individuals for a period of 3 years, and will be exempted from the following:

- exchange control
- withholding tax on payment of dividends to non-residents
- withholding tax on all other payments to non-residents
- payment of stamp duty and property transfer tax (save and except real estate) other than nominal duty of Bds\$200 on all instruments and agreements
- payment of value added tax and duties on importation of plant and machinery

To apply for an FCP permit, a licensee must generate 100% of its income in foreign currency. An application for an FCP together with the relevant fees should be made to the International Business Unit.