



The Jurisdictions: St Vincent and the Grenadines

A 'built to last' international financial services centre

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Introduction

St Vincent and the Grenadines (SVG) is one of many small jurisdictions offering investors from around the world an opportunity to invest outside of their countries with the incentive of "no taxes on income". However, the continued growth and success of this industry is being perpetually tested by the frequently changing standards of several influential international organisations and large countries.

SVG's international financial services industry

SVG is comprised of 32 islands and cays and is located approximately 1395 miles away from the Cayman Islands, 365 miles from Anguilla and 425 miles from the British Virgin Islands. The main island is St Vincent and the smaller islands and cays to the south of the main island make up the Grenadines, the largest of which are Bequia, Canaoun, Union Island, Mustique and the Tobago Cays. The Grenadine islands are a popular holiday destination for several high-net-worth individuals from around the world.

SVG is unknown to many investors due to its size and location, but as a democratic state with a stable economy, an accessible and excellent judiciary system and a reliable nationwide telecommunication network which is conducive to the conduct of international business, it is an ideal choice for individuals interested in investing in the international financial services sector.

SVG has been involved in the international financial services

industry for over 30 years and during that period the industry has seen some positive growth; however, the success of this industry has been marked by a myriad of international initiatives which have resulted in changes to confidentiality and jurisdiction to jurisdiction exchange of information provisions. With the implementation of new international initiatives many small states like SVG were caught off guard and forced to use their limited resources to ensure that the necessary measures are in place, with the alternative of being blacklisted and discredited internationally. The resources of SVG have continued to be tested by high annual membership fees payable to the different international organisations, with the only real benefit to SVG being to ensure that SVG has a voice when it is assessed for compliance with the standards set by these organisations.

SVG and the Organisation for Economic Co-operation and Development (OECD)

SVG has been a member of the OECD's Global Forum since 2009 and has participated in all of the Global Forum's annual assessments. As a result of the standards set by the OECD, SVG has entered into Tax Information Exchange Agreements (TIEAs) with 31 jurisdictions.

In 2011, SVG successfully completed the Phase I Peer Review of the OECD Global Forum. The results of SVG's Phase I Review were very positive in that SVG's legal and regulatory framework in relation

to tax information exchange and transparency generally met the international tax standards. In the final quarter of 2013, SVG is scheduled to undergo the OECD Global Forum Phase II Peer Review whereby implementation of its tax regime in practice will be assessed and another positive report is anticipated to result from this review.

SVG and the Financial Action Task Force (FATF)/Caribbean Financial Action Task Force (CFATF)

SVG has been an active member of the CFATF, the FATF style regional body (FSRB) for over a decade, and has been exemplary in the fight against money laundering and the financing of terrorism. This is evidenced by the fact that SVG has been a forerunner in the Caribbean region in the prosecution of money laundering cases through the excellent work of the SVG Financial Intelligence Unit (FIU) which is well-known as being a "centre of excellence" and which engages in mentoring and the provision of training to other regional FIUs. Another key stakeholder in the development in Anti-money laundering (AML) and counter financing of terrorism (CFT) policies is the country's National Anti-Money Laundering Committee, which is involved in effective policy making to strengthen the country's AML/CFT regime.

SVG's AML and CFT legal and administrative framework continues to be modernised and updated in keeping with the FATF 40 Recommendations.

SVG and the Foreign Account Tax Compliance Act (FATCA)

The new FATCA will become an added burden on the already strapped resources of many small jurisdictions, with no real resulting benefit and the US has not extended any of its resources to countries to aid in this initiative. The strength of the US dollar and the fact that many foreign financial institutions rely on a correspondent banking relationship with US based financial institutions, gives the US the upper hand, and the subliminal message being sent to the world is: comply with FATCA or suffer financially.

Nonetheless, SVG is invariably preparing for the 2014 deadline for the implementation of FATCA. The initiative to ensure the smooth implementation of FATCA in SVG is led by the collaborative effort of the Caribbean Community (CARICOM) Task Force and the Eastern Caribbean Currency Union (ECCU). SVG is one of the seven member States of the ECCU, and as such the implementation of FATCA has to be carried out in a unified manner as a banking legislation is shared among the ECCU territories.

FATCA will no doubt change the landscape of the conduct of business

by US citizens in jurisdictions outside of the United States and in an effort to mitigate some of the effects of this new regime, SVG is currently working closely with the CARICOM task force and the ECCU to ensure that there is a smooth transition into compliance with FATCA which does not result in any major disruption of the business of both domestic and international financial institutions in SVG.

The way forward

The Financial Services Authority (FSA), which regulates and supervises the financial services sector in SVG with the exception of commercial banks, has made significant strides in ensuring that SVG adheres to the standards set by the international organisations, thereby enhancing the country's image and recognition as a safe, sound and competitive financial centre.

In today's financial climate, the reputation of small international financial services centres is no longer dependant on ease of access to the jurisdiction and confidentiality of business relationships; it is now built on clear and comprehensive legal and regulatory regimes including FATF approved anti-money

laundering and counter financing of terrorism laws and participation or partnering in international information sharing and cross-border co-operation. On this basis, there has been significant reform in the SVG international financial services sector to meet the rapidly changing international standards and to remain competitive. Legislative and regulatory regimes are continuously enhanced and kept up-to-date and ever so often new legislative regimes are put in place which has today resulted in a strong financial regulatory regime.

SVG, as a small international financial services centre, may undoubtedly continue to face many challenges but it is committed to ensuring that international standards are met and that it remains a 'built to last' and world renowned regulated international financial services centre.



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