

BIBA International Business Forum 2017

Panel II: Strategic Moves Under A Trump Presidency

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Issues under a Trump presidency which may affect Barbados' IBFSS

Trump is a policy mystery but we have some possible clues:

- FATCA (or repeal?)
- Regulatory Roll-back (bye bye de-risking?)
- Tax Reform
- Visa Reform

Compliance with FATCA

Jurisdiction	Status	Jurisdiction Status Intergovernmental Agreement (IGA) & Related Agreements, Arrangements, or Correction	Understandings	Date Jurisdiction is Treated as having an IGA in Effect
Anguilla	Agreement in Substance	Model 1		6-30-2014
Antigua and Barbuda	Signed	Model 1		6-30-2014
Bahamas	In Force (9-17-2015)	Model 1 Correction		6-30-2014
Barbados	In Force (9-25-2015)	Model 1 Correction		6-30-2014
Bermuda	In Force (8-19-2014)	Model 2	<u>Understanding</u>	6-30-2014
British Virgin Islands	In Force (7-13-2015)	Model 1		6-30-2014
Cayman Islands	In Force (7-1-2014)	Model 1		6-30-2014
Curaçao	In Force (8-3-2016)	Model 1 Related Agreement		6-30-2014
Dominica	Agreement in Substance	Model 1		6-30-2014
Dominican Republic	Signed	Model 1		6-30-2014
Grenada	Signed	Model 1		6-30-2014
Guernsey	In Force (8-26-2015)	Model 1		6-30-2014
Guyana	Signed	Model 1		6-30-2014
Haiti	Agreement in Substance	Model 1		6-30-2014
Jamaica	In Force (9-24-2015)	Model 1		6-30-2014
Montserrat	Signed	Model 1		11-30-2014
St. Kitts and Nevis	In Force (4-28-2016)	Model 1		6-30-2014
St. Lucia	In Force (9-1-2016)	Model 1		6-30-2014
St. Vincent and the Grenadines	In Force (5-13-2016)	Model 1		6-30-2014
Trinidad and Tobago	Signed	Model 1		11-30-2014
Turks and Caicos Islands	In Force (7-25-2016)	Model 1		6-30-2014
Source: US Department of the Treasury				
https://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA.aspx				
As at 19/12/2016				

FATCA Repeal; Would we benefit?

- FATCA deeply unpopular; strong and growing anti-FATCA lobby
- Record number of US citizens living abroad renouncing their citizenship (FATCA is likely one of the factors due to US nationality-based taxation)
- In 2014 Republican National Committee called for FATCA repeal
- Anti-FATCA lobby sees President Trump as their great hope due to deregulatory push
- Caribbean countries have reportedly sought to lobby US government re FATCA
- All have signed IGAs but a few countries still have not passed the implementing legislation and face being treated as not having an IGA in place
- Trinidad's FATCA law only passed parliament and signed into law in March 2017

But repeal may be Pyrrhic victory

- No word on whether FATCA Repeal will be part of Trump deregulatory agenda
- Impetus for repeal may be less if US switches to a residence based tax system as proposed under GOP tax reform plan
- FATCA Repeal would weaken US argument against signing on to OECD's Common Reporting Standard (CRS) (aka GATCA)
- US has not joined CRS but several Caribbean countries (incl. Barbados) have chosen to be early adopters
- CRS was inspired by, but has wider scope than, FATCA so a repeal may only be pyrrhic victory for us

Financial Regulatory Roll-back

- Aimed at promoting US growth, job creation and competitiveness; regulation argued to be a noose
- Two executive actions so far on financial deregulation signed by President Trump
- Feb 2017 one lists 7 “core principles” for regulating US Financial System
- Directs Treasury Secretary to submit report to President within 120 days outlining “laws, treaties, regulations, guidance, reporting and recordkeeping requirements” *inter alia* which inhibit US federal regulation in light of the 7 core principles
- Review and possible repeal of Dodd-Frank Act or parts thereof (e.g: Volcker Rule) which Trump called a “disaster”
- Critics of Dodd Frank claim it reduced bank profitability and consumer/business lending but data show otherwise

Bye bye derisking? Maybe not

- Financial regulatory roll-back may make US banks more profitable (more risky for consumers) but will not necessarily lead to a reduction in de-risking.
- Deregulatory focus is so far on Dodd-Frank and not on the constellation of FATF, OECD and Basel regulations which banks have to comply with or the huge fines for non-compliance
- FATF AML/CFT rules not part of the rollback and most likely will not be. Recall the US MER (2016) which noted some gaps in US AML/CFT framework.
- Also Caribbean remains seen as a “high risk” jurisdiction and unprofitable for global banks; big factor for de-risking (recall World Bank Survey 2015)
- Constant US inclusion of Caribbean countries on lists like the one overleaf also contribute to the perception of Caribbean as “high risk”

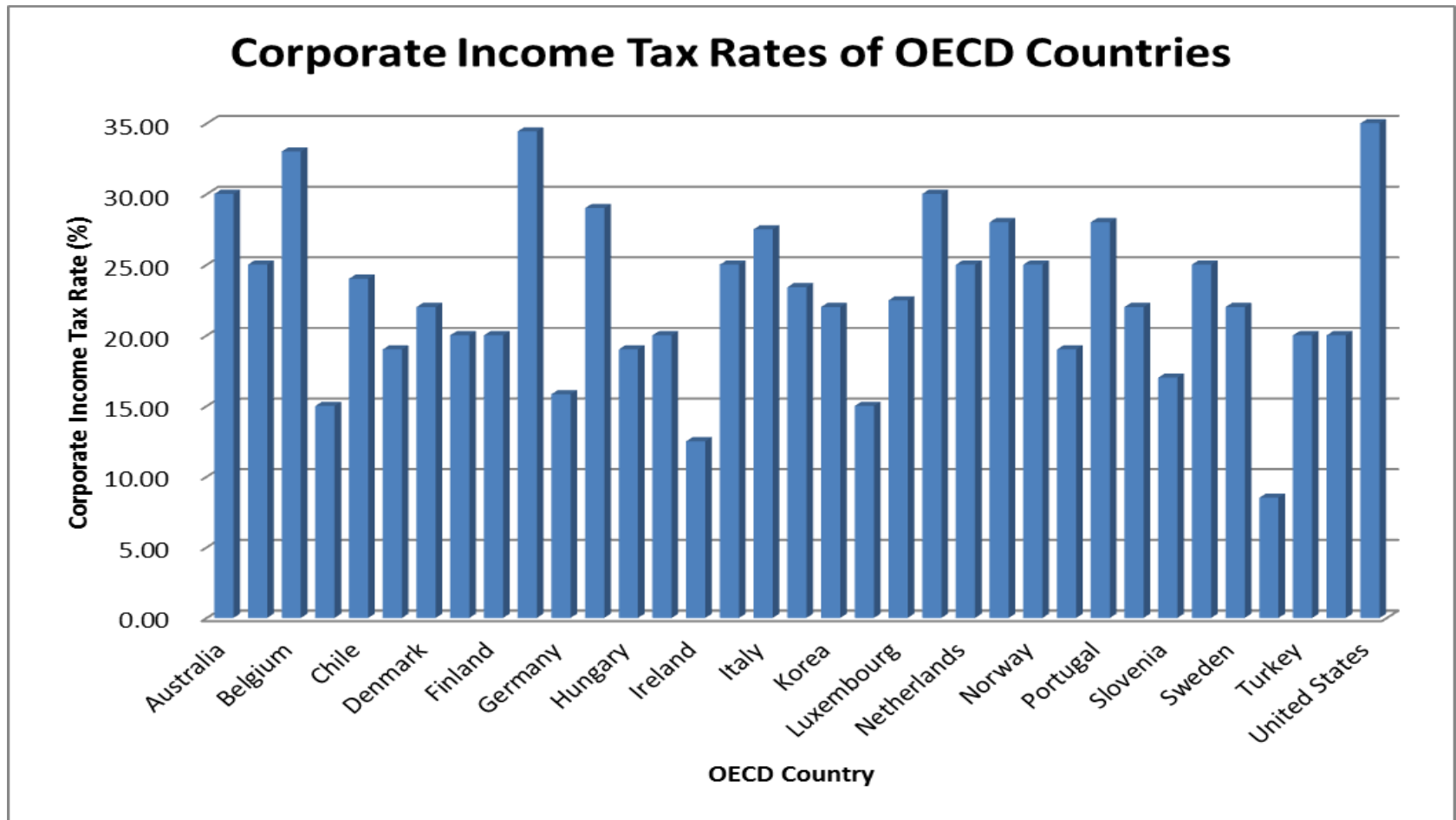
Caribbean Countries on US *2016 International Narcotics Control Strategy Report on Money Laundering and Financial Crimes (2017)*

- Antigua & Barbuda
- Aruba
- Bahamas, The
- Barbados
- Belize
- BVI
- Cayman Islands
- Cuba
- Curacao
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Sint Maarten
- St. Kitts & Nevis
- St. Lucia
- St. Vincent & the Grenadines
- Suriname
- Trinidad & Tobago

GOP Tax Reform (Proposed)

- US has not passed a major tax bill since the Tax Reform Act of 1986
- Speaker Paul Ryan's Better Way Tax plan wants a pro-growth, modern and simple tax code
- Reduction in US corporate tax rate from 35% to 20%, Trump's plan had floated a lower rate of 15%
- More competition for Caribbean IFCs, less incentive to use tax-efficient offshore structures.
- Simpler tax brackets
- Shift to residence-based taxation = less impetus for FATCA repeal
- Border Adjustment Tax (destination based tax); increased political and business opposition to this and may be challenged in WTO if implemented.
- US States will increasingly become competitors to IFCs due to less scrutiny e.g: Nevada, Delaware, Wyoming

US Corporate Tax Rate compared



Source: OECD (2016)

Visa Reform

- Tightening of visa policies e.g: H1-B visas etc
- Denial of US visas to persons of certain nationalities and religions may have implications for our attraction of business from Africa and Middle East for whom it was cheaper to pass through US hubs to get to Caribbean
- Visa denials may directly impact Caribbean countries due to concerns about ISIS recruitment
- Increased US criticism of Caribbean Citizenship by Investment programmes (CIPs) may lead to increased scrutiny of CARICOM passport holders.

Strategic Moves under Trump?

- Be proactive, turn this climate of uncertainty into a window of opportunity; resell the “Barbados Advantage” but we need to also get our house in order by improving ease of doing business
- Formulate a private sector-driven comprehensive US business development/investment promotion strategy
- What Barbados investment vehicles and products may be more attractive to US investors in this current climate of uncertainty? E.g: SERP
- Diaspora in the US may be looking to invest elsewhere or move back home; engage them!
- Strong engagement with Trump administration officials, both bilateral and as part of CARICOM, including pursuant to US-Caribbean Strategic Engagement Act 2016

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