

A NEW CHAPTER OF DEVELOPMENT

Introduction

Nevis was one of the first jurisdictions in the Eastern Caribbean to appreciate the benefits of diversifying its economy with the introduction of international financial services. In 1984, the Nevis Island Government initiated various measures aimed at establishing its financial services industry and providing investment and business opportunities to international investors. Today, Nevis is a successful international financial services center, which offers a full range of financial services including registration of IBC's, LLC's, Exempt Trusts, Offshore Banking, Multiform Foundations, International Insurance and Mutual Funds.

Nevis, the smaller of the twin-island state of St. Kitts and Nevis, is ideally located in the Eastern Caribbean to offer solutions to investors from around the world. The jurisdiction is one hour away from Puerto Rico, two and half hours away from Miami, four hours from New York, four and half hours from Canada, and eight hours from the U.K. Nevis also has state-of-the-art telecommunications facilities and a range of developed services to support its financial services sector.

Nevis boasts of an independent, politically stable and secure economy backed by a British-based legal system. In addition, Nevis' financial services sector is championed by a strong professional infrastructure. There are over 50 registered and experienced service providers specializing in company formation and management, trusts, international insurance, fund administration, banking, wealth management and asset protection.

Regulatory Environment

Nevis recognizes that no international financial services center can thrive without internationally acceptable levels of regulation. As such, over the past five years the jurisdiction has introduced a progression of legislations and regulations aimed at strengthening its regulatory framework. In 2000, the Federation of St Kitts and Nevis enacted the Financial Services Commission (FSC) Act. The aim of this act was not only to establish a Financial Services Commission, the ultimate regulatory authority for financial services in the Federation of St. Kitts and Nevis, but also to appoint a Regulator who has direct responsibilities for the effective regulation, supervision and inspection of all international financial services in Nevis.

The office of the Regulator is in the Nevis Financial Services Regulation and Supervision Department and functions under the Ministry of Finance. The main responsibilities of the Department include:

- 1) issuing appropriate guidelines and advisories to regulated businesses;
- 2) receiving reports which regulated businesses are required to submit;
- 3) making recommendations to the Commission on matters arising from these reports;
- 4) taking certain permissible actions that are of an investigative nature in respect of any incidence of non-compliance, misconduct or illegality of regulated persons or businesses;

- 5) processing and reviewing applications for various international financial services licenses prior to submissions for approval;
- 6) conducting off-site surveillance and on-site examinations of regulated business to ensure that they adhere to statutory and other requirements; and
- 7) liaising with other regulatory bodies and international agencies in the exercise of its duties.

The Regulation and Supervision Department also works in close collaboration with the Nevis Financial Services Development and Marketing Department, the Legal Department and the Private Sector to develop existing and new laws for the industry in accordance with the evolving international standards and requirements. For instance, efforts are being made to amend the Guidance Notes on the Prevention of Money Laundering to bring it in compliance with the 2003 Revised Forty Recommendations of the Financial Action Task Force and the Nine Special Recommendations on Combating Terrorist Financing.

Notwithstanding these functions, the Regulator is accessible and maintains an ongoing and constructive dialogue with the private sector. The Regulator and the Regulation & Supervision Department ensures that service providers in Nevis become more aware of their obligations to their business and the jurisdiction, and ensures that the necessary training facilities are in place for the service providers and the industry.

Diversification of the Financial Services Sector

With recognition of the increased global competition and the need to diversify, Nevis has taken a careful, deliberate, and proactive approach to expand its legislative regime and ultimately to meet the needs of investors. In 2004, a new chapter in the development of the Nevis Financial Services Industry commenced with the enactment of The Nevis International Insurance Ordinance, the Nevis Multiform Foundations Ordinance and The Nevis International Mutual Fund Ordinance.

The Nevis International Insurance Ordinance 2004

The Nevis International Insurance Ordinance provides for the carrying on of Long-term Insurance, General Insurance, Reinsurance and Captive Insurance Business from within Nevis. The minimum paid up share capital for the classes of insurance business are as follows:

EC\$500,000	-	Long term and General Insurance Business
EC\$200,000	-	Reinsurance Business
EC\$27,000	-	Single-Owner Captive
EC\$54,000	-	Less than 5 Owners Captive and
EC\$135,000	-	5 or more Owners Captive

The Ordinance provides that every registered insurer must have a registered agent or insurance manager resident in Nevis. An Insurance Manager may be non-resident subject to the approval of the Registrar of International Insurance and in this case, the insurance manager must also appoint a registered agent. It is important to note also that the accompanying Regulations to the Nevis international Insurance Ordinance provides that

the Registrar of International Insurance may stipulate what is an allowable asset. Generally, cash, debt securities, precious metals, irrevocable letters of credit, equities, mutual funds, commercial loans, premiums receivables and reinsurance receivables are allowed. However, if an insurer wishes to hold assets other than those generally allows, he must seek guidance from the Registrar.

The Nevis Multiform Foundations Ordinance 2004

The Nevis Multiform Foundations Ordinance provides that each Nevis Foundation will have a stated 'multiform'. This means that the constitution of the foundation will state how it is to be treated whether as a trust, a company, a partnership or an ordinary foundation. Through the 'multiform' concept the stated identity of the Foundation can be changed during its lifetime, thus allowing for there to be greater flexibility in its use and application.

The Ordinance also provides for entities to be converted or transformed, continued or consolidated and merged into a Nevis Multiform Foundations. Therefore, an entity incorporated outside of Nevis can be transformed into a Nevis Foundation; an existing Nevis entity can be converted into a Nevis Foundation; and any two or more entities from outside or within Nevis can merge into a Nevis Multiform Foundation. These features definitely make the Nevis Multiform Foundations Ordinance, an attractive asset protection vehicle. However, the Ordinance anticipates that the Nevis Multiform Foundation can also be used for estate planning, charity, financing and special investment holding arrangements.

The Nevis International Mutual Funds Ordinance 2004

The Nevis International Mutual Funds Ordinance was designed to establish credibility to Nevis based mutual funds and reassure investors of the legitimacy and security of their existing funds (wherever they may be constituted) or to establish new funds under available convenient legal structures as international business companies, limited partnerships or unit trusts. The Ordinance allows for three classes of Mutual Funds:

- **Public Fund** which offers its shares or units to the general public and are required to be registered;
- **Private Fund** which offer its shares on a private basis, has no more than 50 investors and is required to be recognized by the Minister of Finance upon proof that it is lawfully constituted; and
- **Professional Fund** which is available only to professional investors with an initial investment of not less than US\$100,000 and is also required to be recognized by the Minister of Finance. However, the Professional Fund can be fully operational for a period of 14 days without being recognized under the Nevis International Mutual Funds Ordinance.

Under the Ordinance, a fund must have a licensed and independent fund custodian. There must also be a licensed manager or administrator of the fund. Managers or Administrators who are not resident or domicile in Nevis and who are authorized to provide services under the laws of a recognized jurisdiction may operate from within Nevis after receiving written permission from the Minister of Finance. A licensed or

recognized mutual fund of a prescribed jurisdiction can easily be continued or redomiciled in Nevis, if it is in good standing. The same privilege would be given to the investment manager and administrator of that fund.

Conclusion

Nevis has advanced as a premier international financial centre over the past two decades because of the careful balance between efficient regulation and a proactive approach to meeting the needs of existing and potential investors. Nevis will continue to improve upon its standards and will maintain its position as a highly regarded, dependable and viable jurisdiction.