

Belize: The Pragmatic Offshore Choice

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Over the years, as the offshore financial services industry has both experienced tremendous growth and become firmly entrenched as a part of global finance, we have seen numerous offshore jurisdictions become established. Some have soared, many have stumbled, others have disappeared. Panama, one of the pioneering and premier offshore financial services centers, though having since recovered, was severely adversely affected in the early 1990's by the invasion of the United States and the ousting of Manuel Noriega. Bahamas, also one of the early pillars of success in the offshore industry, caved into international pressures in the late 90's passing onerous new laws not even reciprocated in other developed jurisdictions that resulted in substantial loss of offshore business. More recently, being captured by the EU net and the implications thereof, for example, the EU Savings Directive, has impacted on the attractiveness of many of those offshore jurisdictions that remain protectorates of EU countries, such as Gibraltar, the British Virgin Islands, the Cayman Islands and the Channel Islands. Whether due to international pressures or otherwise, some of these jurisdictions continually keep shifting the goal posts by modifying their laws as they apply to offshore business and, of course, increasing their fees.

As a result, Belize, an independent democratic English-speaking country, through a coincidence of circumstance and design, has quietly emerged as one of the best offshore choices over the past decade.

Coincidence of Circumstance

As many of you may be aware, Belize, formerly known as British Honduras prior to its independence, is geographically located on the Caribbean coast of Central America, approximately two hours by plane from commercial hubs in the United States such as Houston, Dallas and Miami. An English colony for over a hundred and fifty years, Belize gained its independence in 1981. In spite of the influx of Spanish speaking economic refugees from neighboring countries transforming the country's demographics into a predominantly Hispanic population over the past few decades, it remains the only English speaking country in Central America. Naturally, with its English roots, its laws and legal system derive from and are based on English common law with the enhancement that it has its own written constitution. The Constitution of Belize which establishes the arms of Government – the Executive, the Legislature and the Judiciary- and which enshrines certain fundamental human rights and freedoms (including but not limited to the right to life and liberty, due process and equal protection of the law, right to privacy, protection from arbitrary deprivation of property, principles of fairness and natural justice, freedom of expression) stands as the supreme law of Belize. Any law inconsistent therewith is void. By the principle of separation of powers entrenched in the Constitution, Belize has an independent and hierarchical judiciary similar to that of England with the final appellate court being the Judicial Committee of the Privy Council in England, where judges of the highest legal authority sit, including those from the English House of Lords. Commercial, contract and tort law are based on and remain heavily aligned with English law. Belize's political system is based on the British Westminster model of parliamentary democracy with Queen Elizabeth II as Head of State being represented by a Belizean Governor General. The leader of the Executive is the Prime Minister and the legislature is bicameral with an elected House of Representatives and an appointed Senate.

Initially settled by the British for its mahogany and logwood, Belize's economy was largely a vulnerable agro-based one by the time of independence in 1981, depending heavily on sugar cane as its primary

export. Although still maturing, Belize's economy has evolved significantly since then. In agriculture, there has been diversification in other crops such as citrus and banana in which Belize now already competes or is beginning to compete freely and successfully on the international markets. New export industries are now developing and prospering such as agro-processing and aquaculture. With the geographic diversity from the sun, the sea, the sand, the reef, the tropical rainforest, the caves, the waterfalls, the Mayan ruins, the flora and the fauna and the cultural diversity from the Mayan, the Mestizo, the Creole and the Garifuna, among others, the tourism industry is now the largest foreign exchange earner for the country. For the first time in Belize's history, commercial quantities of crude oil have been discovered and are now being exported from Belize. Petroleum is now a nascent export industry in Belize, with international players now clamoring for block licenses, while sugar cane derived ethanol production can now be seen on the horizon. Its currency, the Belize dollar, has been pegged to the United States dollar at a fixed exchange rate of 2 Belize dollars to 1 United States dollar for over 30 years.

Not surprisingly, for all these reasons and more, Belize has a long unblemished history of peace, stability and democracy. With this strong infrastructure, Belize in 1990 sought to enter the offshore services sector.

Coincidence of Design

As mentioned before, Panama was a leader in the offshore financial services industry when the US invaded in the early 1990's. The British Virgin Islands (the BVI), with its International Business Companies Act creating a special category of corporate vehicle known as the international business company (IBC) and having already been in place since 1984, benefited greatly from this catastrophic event as many Panamanian law firms and offshore service providers relocated their offshore business from Panama to the BVI. Belize also saw an opportunity and legislated the International Business Companies Act of 1990 for the establishment of IBC's in Belize. This law substantially mirrored the British Virgin Islands (BVI) International Business Companies Act. While this law did attract some business, without the first mover advantage, unlike in the BVI, it did not initially gain much traction. Over the years since, this has changed substantially however.

Belize has now earned a solid reputation for being an efficient, low cost jurisdiction with highly skilled professionals providing service and support. Some of the widely recognized attributes and comparative advantages of the Belize IBC are as follows:

- **Efficient Registry.** Whereas other jurisdictions may take in excess of a week for the incorporation and release of the incorporation documents, the IBC Registry routinely incorporates a Belize IBC within 24 hours of lodgement of the constitutive documents of the company together with the prescribed fee.
- **Low cost.** At US\$100.00, Belize's incorporation and annual license fee is the lowest in the world among recognised offshore jurisdictions. The corresponding fees in both the BVI and Panama are no less than US\$350.00 per annum, a whopping 250% higher fee. In the BVI, these fees are expected to increase by up to US\$750 in the next few years. There is no expectation of any adjustment to the fees in Belize in the near future. Further, there are no necessary audit requirements.

- **Confidentiality.** Filing requirements are limited primarily to memorandum and articles of association, name of registered agent and address of registered office. Bearer shares may be issued subject to registered agent/professional intermediary custody requirement.
- **User Friendly.** Having been based on and not changed materially from the original BVI IBC Act, the common law-based Belize IBC is legally familiar. Bearer shares may be held with any professional intermediary in or out of Belize.
- **Name Availability.** With just over 65,000 IBC's incorporated in Belize as compared to over 7000,000 in the BVI, Belize clearly and conveniently has much greater company name options for the client.
- **Tax Free.** The Belize IBC enjoys total exemption from all forms of taxation in Belize including stamp duty.
- **No Currency Exchange Control.** A Belize IBC may freely open and maintain any type of currency account.
- **Flexibility.** A Belize IBC is capable of being incorporated for (or restricted to (as in the case of special purpose corporations)) any object not prohibited by the laws of Belize. Only one subscriber is required for incorporation. The Belize IBC may have only one director. Directors can be corporate and need not be resident in the country. Meetings of shareholders and/or directors may be held in any country at any time and may be attended by proxy. Resolutions of members and/or directors may be passed without a meeting. Shares can be issued without par value. A Belize IBC may be incorporated in any language (provided a properly translated English version is also submitted) and with an authorised share capital in a foreign currency. The Certificate of Incorporation is also granted in that foreign script. Belize IBC's may migrate into and out of Belize. However, once re-domiciled in Belize, the former governing law ceases to be operable.

In spite of our focus on the IBC for the purposes of this presentation today, Belize is not by any stretch of the imagination a one-product offshore jurisdiction. Since its entry into the offshore services sector,

Belize has since introduced numerous other enabling offshore legislation including but not limited to the Trusts Act, the International Banking Act, the International Insurance Act, the Mutual Funds Act and the Protected Cell Companies Act while other laws such as the Limited Liability Companies Act creating the US-style LLC are in the pipeline. Each of these products and services has taken root in their own right but also has proven to be quite complementary of each other. In particular, the Belize exempt trust is renowned for its strong asset protection features and flexibility while the well-regulated international banks provide integral efficient and competitive support to the rest of the offshore sector on a highly confidential basis.

Hand in hand with these new legislation, Belize has also skillfully introduced light but effective regulation in a timely manner that has proved sufficient to keep Belize off the numerous blacklists established by such organizations as the OECD, the FATF and the CFATF over the years without detrimentally affecting the attractiveness of the products and services it has to offer.

The Pragmatic Choice

In retrospect, it is this proven skill of understanding the demands of the offshore market, its constants and its variables, understanding its position in the offshore world and, with calculated foresight, combining circumstance with design that sets Belize apart and that makes it the pragmatic offshore choice for today and for the future.