



Global Forum & CFATF Update



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10th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes
Yaoundé, Cameroon / 15-17 November 2017

The 10th Plenary Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum Plenary) took place in Yaoundé, Cameroon on November 15th to 17th, 2017. The Commonwealth Secretariat (ComSec) also hosted a meeting of small states that are also International Financial Centres (IFCs) on November 14th, 2017 to discuss the Global Forum Plenary's agenda items. The Federation of St. Kitts and Nevis was represented by Ms. Heidi-Lynn Sutton.

The year 2017 saw a number of significant developments in the international tax and regulatory agendas which posed challenging to most IFCs. Accordingly, key milestones reached in international tax co-operation, exchange of information on request (EOIR) and automatic exchange of information (AEOI) were addressed in the Global Forum Plenary and side meeting. Summaries of the main takeaways from the discussions on the above topics are set out below:-

International Tax Co-operation

Given that the Global Forum Plenary took place in the backdrop of the recently released 'Paradise Papers', the international tax evasion and tax avoidance initiatives dominated most of the deliberations. Projects such as the Base Erosion and Profit Shifting (BEPS) Inclusive Framework as well as the G20 and the Council of the European Union (EU) listings attracted interest from attendees. Numerous concerns were raised in relation to the EU's reticence to clarify the listing process' legitimacy, basis and scope. The criteria for screening jurisdictions with a view to establishing an EU list of non-cooperative jurisdictions include (1) tax transparency, (2) fair taxation and (3) implementation of BEPS measures.

The EU representative was given an opportunity to provide an update on the listing process and confirmed that 28 EU Heads of State gave a stamp of approval for that initiative. Delegates were also informed that the EU has tried to align its work with the OECD and Global Forum and will continue to monitor third jurisdiction's tax regimes that facilitate zero or low corporate tax levels. However, International Financial Centres (IFCs) are mindful that under the OECD's harmful tax criteria, the absence of a corporate income tax or zero rated corporate income tax is not treated in and of itself, as harmful.

The EU representative disclosed that the EU wrote to 92 jurisdictions outlining deficiencies within their legal, administrative and tax frameworks and most responded within the stipulated timeframe. The final analysis of

the frameworks were communicated in 'warning' letters to a number of jurisdictions a few weeks prior to the Global Forum Plenary. The representative then confirmed that the first listing on non-cooperative tax jurisdictions will be published on the 5th day of December, 2017.

The ComSec intervened on behalf of small states that host IFCs and informed the Global Forum Plenary participants that a number of small state members who are great supporters and advocates of the Global Forum recently received letters from the European Union which are of concern. Many of those letters were asking states to make changes to their domestic tax systems based on an assessment against criteria that fell outside clearly articulated global standards.



This posed real challenges to small resource constrained states as any potential 'blacklisting' can have consequences, in the context of ongoing efforts to address the withdrawal of correspondent banking services, or so called de-risking, which continues to impact the small states of the Caribbean and the Pacific disproportionately. IFCs are cognizant that there is a renewed call for international action to confront tax evasion and tax avoidance; however, this must be in the context of a transparent and robust process for review, assessment and monitoring.

Additionally, there was an update from the OECD's Centre for Tax Policy and Administration on the ongoing work on the BEPS Inclusive Framework and its linkages with the tax transparency agenda. The BEPS framework expanded during 2017 and includes more than 100 jurisdictions which are collaborating to address tax avoidance strategies used by multinational enterprises to exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax jurisdictions.

As an update to regulated entities, the Federation of St. Kitts and Nevis was given an opportunity to provide responses to address possible concerns in relation to perceived preferential or ring-fenced tax regimes under the EU's fair taxation criteria. Further engagement with the EU will commence during the first quarter of 2018. The Federation also joined the BEPS Inclusive Framework in November, 2017, thus giving us an opportunity to participate on an equal footing in that project.

Exchange of Information on Request (EOIR)

The Global Forum's Secretariat informed delegates that 14 jurisdictions received provisional upgrades to their overall peer review ratings under the Fast-Track review in advance of the G20 Summit in July 2017. This was a necessary step for a number of jurisdictions that received either a 'Partially Compliant' or 'Non-Compliant' rating for their Phase 2 peer review assessments. Only Trinidad and Tobago was listed by the G20 as a non-cooperative jurisdiction.

An update on the progress in the new round of EOIR peer reviews and

lessons from the first reports adopted in 2017 were given. The new round of reviews are based on the 2016 Terms of Reference which includes new aspects of existing principles with respect to:

- the availability of and access to beneficial ownership information;
- explicit reference to the existence of enforcement measures and record retention periods for ownership, accounting and banking information;
- clarifying the standard for the availability of ownership and accounting information for foreign companies;
- incorporating the 2012 update to Article 26 of the OECD Model Tax Convention and its Commentary (particularly with reference to the standard on group requests); and
- completeness and quality of EOI requests and responses.

The 2016-2020 Schedule of Reviews was also discussed and approved. To date, 36 reviews have been launched and 16 reports have been adopted by the Global Forum. Six reports were rated as 'Compliant', eight reports were rated 'Largely Compliant' and two reports were rated 'Partially Compliant'.

St. Kitts and Nevis' review will be launched in December, 2017 and the on-site visit is scheduled to take place during the first week of March, 2018. Accordingly, the FSRC – Nevis Branch's annual AML/CFT Awareness Seminar and Training Workshop will be held during the second quarter of 2018 to facilitate preparations for the review.

Automatic Exchange of Information (AEOI)

The Chair of the AEOI Group reported on the significant progress made during 2017, particularly on the delivery of commitments to commence exchanges under the AEOI Standard. The first automatic exchanges under the Common Reporting Standard (CRS) took place in September 2017 among 49 'early adopters' using the Common Transmission System (CTS).

The AEOI Group, of which St. Kitts and Nevis is a member, will continue to monitor the timely delivery of the key elements of the AEOI Standard, conduct preliminary assessments of legislation in all committed jurisdictions and monitor the establishment of the international legal framework for exchange.

By way of update to regulated entities, in 2017, an assessment of the domestic legislative framework implementing the AEOI Standard was conducted on St. Kitts and Nevis. The assessment was discussed and approved at a meeting of the AEOI Group in Madrid, Spain in September, 2017. It was determined that sanctions provisions should be applied to failures by Reporting Financial Institutions to apply due diligence procedures in accordance with the AEOI Standard. St. Kitts and Nevis should also ensure that the collection and reporting of information identifying the controlling persons of legal persons and legal arrangements are in accordance with the AEOI Standard.

Regulated entities are also invited to visit the OECD's Automatic Exchange of Information portal which gives a comprehensive overview of the work of the OECD and the Global Forum in the area of AEOI, in particular with respect to the Common Reporting Standard. A summary of St. Kitts and Nevis' compliance with international standards established by those bodies is provided.

For a comprehensive Statement of Outcomes, please click here. The next meeting of the Global Forum will take place in October or November 2018 in Montevideo, Uruguay.



The Caribbean Financial Action Task Force (CFATF) held its XLVI Plenary and Working Groups Meeting in Georgetown, Guyana from November 12-16, 2017. Ms. Vanessa Rawlins attended as part of St. Kitts and Nevis' delegation.

The CFATF Plenary discussed the issues raised since last Plenary held in Trinidad and Tobago in May 2017 and the plans going forward.

At the CFATF Plenary, three member countries remained in 3rd round follow-up (Haiti, St. Vincent and the Grenadines and St. Maarten). The Exit Report for Haiti was also presented and Haiti was allowed to exit 3rd Round Follow-Up Process having significantly addressed AML/CFT deficiencies. A Public Statement and Notice of exiting the Follow-up process was therefore issued. It is expected that the remaining two countries will exit during 2018 at the latest.

To date, 22 of the CFATF's 25 member countries have exited the Follow-up Process and are therefore no longer in the 3rd round: *Anguilla, Antigua & Barbuda, Aruba, Barbados, Bermuda, Belize, Cayman Islands, Curacao, Dominica, El Salvador, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, Montserrat, Suriname, The Bahamas, Trinidad and Tobago, Turks & Caicos Islands, Venezuela and the Virgin Islands.*

Of significance at the CFATF Plenary was the discussion and presentation of the Barbados' mutual evaluation report. Discussions of Key Issues took place in the Working Group of FATF Issues (WGFI) and based on discussion, recommended Key Issues were presented to Plenary. Barbados was placed in Enhanced Follow-up based on the number of Low/Moderate Immediate Outcomes and Recommendations which were rated as NC/PC. Barbados' MER was approved and they are expected to report at the May 2019 Plenary.

The 4th Round Mutual Evaluation of St. Kitts and Nevis is scheduled for the First Quarter of 2020.

The CFATF Chairmanship was handed over from Turks & Caicos to Guyana.

Gentle Reminder

All regulated entities are reminded of the requirement to submit the Application of Renewal of Licence as a Service Provider/Registered Agent/Insurance Manager in order to have their 2018 licences issued.

The completed application must be submitted along with all supporting documentation and the prescribed fee to avoid delays. A copy of the application form can be accessed via the following link: <http://www.nevisfsrc.com/regulatory-framework/supervision>

This link may also be used to access the Application for the Renewal of Money Services Business Licence and the Compliance / Reporting Officer form.

