

The English Common law based system and highly qualified professionals make Belize the jurisdiction of choice.

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## Mutual Funds

*James Cooney, Head of Offshore Financial Services at the Belize Bank Limited.*

The Mutual Fund Act No. 12 of 1999 was created to provide for the regulation, authorization and control of Mutual Funds, their managers and administrators carrying on business in or from within Belize; and to provide for matters connected therewith or incidental thereto.

The Mutual Fund Act establishes a Registrar who is responsible for the administration of the Act and has the duty to supervise Mutual Funds, managers and administrators. Separate registers are to be kept for all registered public funds, recognized private and professional funds and licensed managers and administrators.

Considered in the Act are public,

private and professional funds. Any member of the general public may subscribe to or purchase shares of a public fund. These funds must be registered under the Act.

The application process for registration requires, among other things, consent of the Minister responsible for the administration of the Mutual Fund Act and an application fee. As well, a public fund, once registered, must publish a written prospectus signed by or on behalf of its board of directors and must file a copy with the Registrar.

Under the Mutual Funds Act, private funds have less than fifty investors and their shares are not offered to the general public due to restrictions set out in their constitutional documents. Professional funds are offered only to professional investors.

Each professional investor's initial investment is not less than the equivalent of US \$100,000.

Both types of funds must be recognized under the Act in order to carry on business or administer affairs in or from within Belize.

To be recognized, a private or professional fund constituted under the laws of Belize must provide satisfactory proof that it is a private or professional fund within the meaning of the Act and it is lawfully constituted under the laws of Belize. It must also provide specified notices and an application fee of US\$500. Similar provisions are made under the Act for private or professional funds constituted outside Belize.

## Anti-Money Laundering Seminar in Belize

The International Financial Services Commission, in collaboration with the Caribbean Anti Money Laundering Programme and the Belize Offshore Practitioners Association recently organized the Anti-Money Laundering Seminar held in Belize City. The speakers: Manuel G. Vasquez, C.A.L.P. from Port of Spain, Trinidad; Jack A. Blum from Lobel, Novins & Lamont, Washington, D.C.; Richard H. Coles, former Attorney General of

the Cayman Islands; Pamela J. Johnson, Federal Reserve Board, Washington D.C. Among many interesting topics the speakers considered: *Taking the Profit out of Crime: An Overview of Money Laundering Threat to the Financial System. Developing Effective Defenses Against Money Laundering. The Need for Compliance and Best Practices: Some Examples on Trusts, Company Administration, etc.* Mr. Sydney Campbell, Chairman of the International Financial

Services Commission, and Deputy Governor of the Central Bank of Belize addressed the audience with an exemplary speech of which we present the following excerpt:

"Money laundering transcends national borders. It presents a major threat to the international financial system. Money launderers and other international financial criminals are among the most sophisticated operators in the global marketplace. Today, they are at the cutting edge of

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Maya pots once used to store food.



## Editorial

Welcome! The beginning of a new year has rendered extremely busy at the Registry. We are close to a new maximum: 15,000 companies which we hope to conquer within the next 6 months!

We launched a new website, changed the look of our certificates to a very elegant and dignified image, much like that of the jurisdiction, and much more. The fact is, we are taking giant leaps. I know that this has taken many by surprise but not us in Belize, we were ready and continue to be. Why the sudden growth of the jurisdiction? There are a number of reasons I wish to share with you in this editorial.

First of all, 'Habla ingles?' We do. Though in Central America, the Belizean jurisdiction is an English-based legal system thus

all corporate documents are issued in English. This is especially appealing to customers worldwide because English is accepted, if not as the first language, then as the international language of business. Consequently, Belizean corporations are generally recognized and accepted in other countries. This has opened many doors in the Canadian and U.S. markets.

The other reason for our success is the availability of and our expertise in three of the most common offshore mechanisms available to international financial services investors: corporations, banking, and trusts. On this occasion, we will give Trusts a closer look by means of an article written by a prominent Belizean attorney.

A third reason is the Corozal Free Trade Zone located on the

northern border with Mexico. In this newsletter we focus on this wonderful alternative for the active investor. And yet, something more, Belizean currency is pegged to the US dollar 2:1.

A variety of cultures, untouched nature, and magnificent Caribbean beaches united with interesting alternatives for

international investors or international business corporations present a well-respected scenario for visiting and giving corporate services in Belize a closer look. Let this be a standing invitation.

Lourdes Haywood  
Managing Director



## Corozal Free Trade Zone Development Limited

*"Belize's free trade zone is located on the northern border with Mexico. This presents an alternative for the active investor because it allows for duty free manufacturing and exporting a company's product".*

The Commercial Free Trade Zone is open to anyone with a vision to try a different investment opportunity. With a 10 year exemption from profit taxes and 2 to 8% tax on the 10 subsequent years, depending on the number of employees hired, the Commercial Free Zone is quickly increasing the number of registered businesses. It began with 30 operating businesses and this year it boasts 170 wholesale and retail units with an assortment of products such as clothing, footwear, bicycles, jewelry, liquor, tobacco, food, tires, vehicles, gas and much more. Presently, the main businesses are dedicated to wholesale, retail, re-

exporting and manufacturing trades.

To start a business in the Corozal Free Zone, all that is required is the completion of an application and banking and business references that include cash flow projections, marketing strategies, information about the product that will be sold or manufactured and a small US\$1,000 fee. The process is completed in approximately 20 days.

Among the many incentives for investors operating in the Free Zone, we found lower electricity rates, duty free equipment and fuel while in use at the Free Zone, and a higher educational level of the workforce. The Free Zone is a

booster to the Belizean economy generating over 900 sources of employment and more.

There are many goals to be conquered at the Free Zone, the main one is to bring in more manufacturing that is expected to create up to 5000 jobs. Textiles, chemical computer equipment and much more is expected. Since the Free Zone is only 1 hour away from Belize City, tourists that come in on day tours to Belize City can spend a few hours there. There is a great opportunity for expansion in the tourism industry as there are many tourist that visit the Yucatan area of Mexico with which the Corozal Free Zone borders.





## Anti-Money Laundering Seminar in Belize

*The Belize Registry offers  
ONE day registration!*

developments in financial markets and new technology. They make increasing use of securities, derivatives and insurance products as vehicles for fraud and money laundering. They exploit the Internet and electronic services, carrying money around the world with relative ease and little trace. It is estimated that the annual worldwide value of laundered funds is in excess of US\$500 billion. Unfortunately, money laundering has often been associated with offshore financial centers.

Belize will participate in the UN Offshore Forum (which will place special emphasis on money laundering); the forum is an initiative of the United Nations Office for Drug Control and Crime Prevention. The UN Offshore Forum proposes minimum performance standards to be adopted by all offshore jurisdictions, seeking to meet their international obligations to combat money laundering. Action is required at three levels (1) Political, (2) Legislative, and (3) Implementation.

At the political level, the UN Offshore Forum wants a commitment on the part of governments to accede to certain International Conventions, e.g., the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1998 Political Declaration and Action Plan Against Money Laundering; the Recommendations of the Financial Action Task Force; the Basle Committee's Core Principles for Effective Banking Supervision and others. At the legislative level, the UN Minimum Performance Standards require the enactment of essential

legislation covering all money laundering crimes, investigation of fraud, and financial services authorizations and supervision.

In implementation, the UN Offshore Forum wants the necessary resources and organizational structure in place to put legislation into practical effect. This would include the establishment of a Financial Crimes Intelligence and Prosecution Unit with special emphasis on money laundering. It would also include the effective application of "know your customer" requirements by all persons providing financial services, i.e., banking, investment fund management, insurance, company and trust administration and internet service providers. These are ambitious goals and the UN has offered technical assistance to States to attain the minimum performance requirements. Belize already measures up to most of these standards. Belize is a member of the 1988 UN Convention against Drugs; since our accession to the Convention in 1996, we have faithfully carried out our obligations under the Convention, particularly under Articles 6 and 7, which respectively deal with Extradition and Mutual Legal Assistance in Criminal Matters. Belize is also a member of the Caribbean Financial Action Task Force. Our Banks and Financial Institutions Act passed in 1995 embraced the Basle Committee's Core Principles of Banking Supervision and increased the authority of the Central Bank to enforce responsible financial practices. All banks are mandated to strictly adhere to the "know your customer" rule so that only legitimate business

transactions may take place in the system. On the legislative front, Belize possesses adequate legal infrastructure to combat money laundering. In 1990, we passed the Misuse of Drugs Act, which included special provisions for forfeiture of the proceeds of drug trafficking. In 1996, the Money Laundering (Prevention) Act was passed which contains stringent provisions designed to stop flows of illegal funds into the financial system.

This Act is central to our strategy to develop a responsible and viable offshore services sector in Belize. It is geared towards ensuring that the domestic and offshore financial sectors are not deliberately or unwittingly used to launder the proceeds of crime. The Money Laundering (Prevention) Act provides that 'financial institutions' shall pay special attention to all complex, unusual or large business transactions, or unusual patterns of transactions, and if there is a reasonable suspicion that such a transaction could constitute or be related to money laundering, it is the duty of the financial institution concerned to report that transaction to the Competent Authority which is the Governor of the Central Bank of Belize. Failure to comply with this requirement is an offence punishable with a fine of up to BZ\$50,000, additionally, a revokal or suspension of the license of operation.

The term "financial institution", as used in this Section is widely defined and includes not only banks and financial institutions licensed under the Banks and Financial Institutions Act, but also credit unions, building societies, insurance brokers, money changers and even

some IFS practitioners. We are all responsible for reporting suspicious transactions. Anti-money laundering experts believe that the initial "placement" stage of the money laundering process is the most vulnerable to detection. If, therefore, all those required by law to report suspicious transactions, do their duty, the rate of money laundering detection will increase."



## Use of Belize Trusts

The trust has always been specifically recognized in Belize and the Trust Act of 1992 elevates its usefulness to new levels. Professional relationships in Belize are governed by common law rules of confidentiality that complement and promote the use of the trust. In this article, we will review some of the benefits of the Belizean trust. Primarily, the trust addresses the needs of high net worth individuals and professionals in some high-risk categories. The trust tends to alter creditors' avenues of legal recourse. Trusts are appropriate for individuals who want to settle an asset protection trust in order to retain financial stability in anticipation of political volatility or who wish to retain control in dealing with forced heirship or exchange control regulations. Furthermore, the trust does not rely for its effectiveness on inhibiting creditors' remedy, nor does it rely on jurisdiction hopping to protect trust assets.

*"Professional relationships in Belize are governed by common law rules of confidentiality that complement and promote the use of the trust."*

## Phillip S. W. Goldson International Airport

The Phillip S.W. Goldson International Airport is Belize's only international airport. It can accommodate large aircrafts from the three main carriers operating in Belize: American Airlines, Continental Airlines and TACA. The U.S. gateway cities are Miami, Houston, Dallas and Los Angeles; there are also daily flights to various Central

The trust is successful because it legally bars the rights and powers of creditors who seek to set aside transfers of assets settled in such a trust and satisfies judgments received out of the assets of the trusts.

Recent practices disclose situations where a settlor not necessarily seeking asset protection would set up an International Business Company (IBC) with broad trust powers to administer a trust for the benefit of say, his children. Instead of hiring a separate unrelated and most likely expensive trust company, the settlor would form his own trust company. Particularly, corporations cannot exercise trust powers without expensive and elaborate compliance with government regulations. This, no doubt, destroys confidentiality and is usually cost inefficient. In this situation, the settlor would himself supervise the exercise of the trustee's powers over the trust. Settlers invariably want the

American countries, Mexico and the Caribbean.

In spite of limited revenues, the airport's infrastructure is continuously maintained and alternatives for growth and expansion are always considered. Improved passenger facilities provide comfortable, air-conditioned waiting areas, restaurants and duty free shops.

knowledge and comfort that they can control the trust without direct ownership should there be an attack from creditors. Hence, when an IBC is used as a trustee for asset protection purposes, it is important for the settlor not to own the stock of the IBC. The issue of bearer shares tends to blur the settlor's ownership of the stock, or alternatively nominee shareholders may be utilized.

The most typical holding pattern is for a Belize trust to be created using an IBC as trustee. The trust then holds a majority interest in a limited partnership, which is seized of the assets. An IBC is formed which is general partner of the limited partnership and therefore effectively controls, but does not own, the limited partnership and the assets thereof. The IBC general partner in turn is indirectly controlled by the settlor through bearer shares or nominee shareholders. This scenario allows the settlor to exercise control over the assets by virtue of

his status as an officer of the corporate general partners while at the same time the partnership permits separation of ownership from control.

Belize is not thought of as or associated with a place of laundering of drug money and disentanglement of legitimate creditors, and with the continued networking between the Belize Offshore Practitioners Association and other local institutions it is certain that trust business will continue to develop and grow untainted.

*Rodwell Williams is President of the Belize Offshore Practitioners Association and senior partner of Barrow & Williams, Attorneys-at-Law.*



*Gigantic granite boulders and clean waters; the Rio On, Mountain Pine Ridge.*

The terminal building has large arrival and departure halls and VIP and Executive lounges.

Banking services are available, car rental, travel agencies and souvenir shops.



## International Business Registry of Belize Review

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