



St. Vincent: A New Viable Option in the Offshore World

In the past few years, the International Financial Services Authority ("IFSA") of St. Vincent and the Grenadines ("SVG") has made a major push to revitalize and market its offshore corporate and trust business. Statutes have been redrafted to attract the attention of those who operate in the offshore spectrum. These efforts make SVG entities as attractive and viable as the more well known offshore jurisdictions, with the added bonus of extremely competitive legislation and pricing. These changes complement the underutilized trust legislation which has been in existence since 1996. Below we outline some of the benefits of SVG's new (and old) legislation.

Saint Vincent and the Grenadines Background

SVG is a former British colony, located in the Caribbean, about 100 miles from Barbados. SVG utilizes the Eastern Caribbean dollar as its sole currency, as do Anguilla, Antigua and Barbuda, Montserrat, St. Kitts and Nevis, and St. Lucia. This democratic society has a healthy tourism industry as well as an ever-growing international finance industry, both of which play an important part in the country's economy. As with any reputable offshore jurisdiction, SVG complies with OECD requirements regarding the transparency of its tax and regulatory system. This ensures that due diligence is collected at the local level for all entity formations and account openings, and will be available to other OECD countries for legitimate inquiries into areas such as criminal and civil tax matters.

In an effort to bolster its reputation in the international banking and finance sector, SVG has made substantive legislative and administrative changes to create an anti-money-laundering regime which is comparable to the most stringent international standards. These legislative changes over the years have brought SVG into the modern era of international business and finance, ensuring that they are not only competitive with other jurisdictions, but compliant with the variety of rules and regulations which now impact this industry.

International Trusts

The current International Trust Act in SVG primarily dates back to its passage in 1996, as the past ten years have seen only a few minor changes to the Act and Regulations. The SVG trust law is comparable to that of the more popular trust jurisdictions of Nevis and the Cook Islands. Aside from the usual spendthrift discretionary trust model, SVG provides for the settlement of charitable trusts as well as the new and emerging purpose trust. As with any other attractive trust law, SVG permits the use of Protectors, and authorizes implementing "flee provisions" to change the jurisdiction of the trust should the need arise. Additionally, foreign judgments and laws have no legal bearing or impact on a SVG trust.



The only real way to attack the assets of a SVG trust is to successfully show that the trust was funded via a fraudulent transfer. This relates to funding a trust in an effort to defraud a current or impending creditor. One important measure of a jurisdiction's trust law is the Statute of Limitations which applies to such fraudulent transfers, and in this area SVG is extremely competitive. Simplified for the purposes of this article, SVG has determined that a creditor may not challenge a trust or transfer to a trust on the basis of fraudulent transfer if: 1) the trust is settled after two (2) or more years from the cause of action; 2) the trust is settled prior to the cause of action; or 3) when the trust is settled within two (2) years of the cause of action and the creditor fails to commence action within one (1) year from the date of settlement. These limitations on a cause of action against a SVG trust compare very favorably with other popular offshore trust jurisdictions. In fact, they are the same as the Statute of Limitations used in Nevis, which many consider to be equivalent to the Cook Islands in regards to very attractive trust legislation.

Business Entities

In an effort to supplement their trust laws, and attract additional offshore business, SVG is in the process of implementing sweeping changes to its International Business Company ("IBC") legislation. SVG is now one of the jurisdictions at the forefront of the offshore world in regards to the variety of IBC options it allows. In addition to the typical corporation model, SVG permits mutual companies and a new type of entity referred to as a "hybrid." This hybrid company has both shareholders and beneficiary members. Much like a corporation with two shares of stock (voting and non-voting) the hybrid shareholders have voting control but no right to dividends or participation in capital or income; whereas the beneficiary members have no voting authority but enjoy the benefits of income, capital and any dividends. One suggested use of this hybrid entity is to grant professional managers the shares such that they can run the company and make appropriate investments while being precluded from enjoying the returns typically reserved for shareholders. Additionally, this type of entity can be utilized to create a pseudo-trust structure.

In addition to expanding the IBC options of the jurisdiction, SVG has adopted legislation which permits the formation of the Limited Liability Company ("LLC"). The LLC is modeled on the Delaware LLC, one which is implemented constantly in the United States, where the LLC has become the entity of choice for many new business formations due to its simplicity and flexibility.

An additional benefit from basing the new legislation on the Delaware LLC is that SVG has also adopted the Delaware Series LLC. This underutilized, but very useful, entity allows the formation of multiple subsidiaries under one LLC umbrella. Each subsidiary, or unit, may conduct its own separate business, and even utilize different managers, yet the entire structure has one filing fee and one tax return each year.



While not for everyone, the Series LLC can be very cost effective for certain business activities, such as real estate investment and management.

Conclusion

The new IBC and LLC Acts, coupled with a very attractive Trust Act which is over ten years old, make SVG a rising star in the offshore world. It has utilized the most attractive pieces of legislation from various onshore and offshore jurisdictions in order to create a full spectrum of options to fit almost any need in today's offshore world. By adopting progressive concepts such as the hybrid IBC and the Series LLC, SVG has displayed a commitment to expanding its boundaries, and a willingness to embrace new ideas. On top of the progressive legislation and internationally accepted compliance requirements, as an emerging offshore provider, SVG maintains extremely competitive fees and costs, which makes it an ideal place to look for your next offshore venture.