



From left to right: Arthur Adams, Edmond Martis, Franklin Girigori, Eugene Rhuggenaath, Rene Ignacia (Assistant to the Board), Oscar Alvarado, Einar Gruener-Hegge, Luis Santine (not in the picture)

International Banking Association of Curaçao and Saint Maarten: Celebrating 35 Years

“A long time ago we abolished the old off-shore regime and since, we have been striving to remain internationally compliant, focusing on transparency and adhering to international rules and regulations as a cooperative jurisdiction.” –Arthur Adams, Chairman of the Association of International Bankers of Curaçao and Saint Maarten

TEXT NEELAM MELWANI

The Beginnings of the International Financial Sector in Curaçao

Curaçao’s history as an Offshore Financial Sector starts with the development of the Royal Dutch Shell Oil Refinery on the island in the 1920’s. Along with the obvious affluence, the Refinery and the island’s growing wealth, many Europeans were attracted to the island, particularly after the onset of World War II. After Germany invaded the Netherlands and Dutch multinationals shifted their legal domiciles to Curaçao, the island became a safe haven for Dutch multinationals to conduct international business and to protect their (international) business interests. The arrival of Dutch multinationals during World War II also brought accountants, lawyers, and other professionals to the Dutch islands, a crucial ingredient for the development of the international financial services sector.

After the war, the government created a special low-tax regime for foreign companies that were a legal resident of Curaçao, but physically conducted their business outside of Curaçao. With this special low-tax regime, Curaçao could persuade Dutch multinationals to locate subsidiaries on the island. It was then that the international financial sector of Curaçao was born.

The island’s connection with the Dutch Kingdom has always been very important for the international financial sector. In the 1960’s, the Netherlands’ post war Tax Treaty with the US was extended to the Dutch overseas territories and Curaçao became a major player in the Eurobond market.

In the 90’s, due to its low-tax regime, Curaçao received the connotation of being a tax haven and the international community was putting pressure on Curaçao and other international financial centers to reform. Due to this pressure, at the beginning of this century, Curaçao abolished all of its harmful tax legislation and a well-balanced transition regime was introduced for existing international structures. Nowadays, there is no longer a distinction in the tax laws for foreign and local tax payers.

Curaçao has taken great strides over the past years to meet international standards set by intra-governmental bodies and non-govern-

mental organizations like the European Union, the Organization for Economic Cooperation and Development (OECD), G20 and Financial Action Task Force. According to Adams, “Curaçao has all the right pre-conditions to be a place where investor’s can feel that their assets are kept safe. We are white-listed by the Organization for Economic Co-Operation and Development (OECD), and we follow all international standards set by the International Monetary Fund and CFATF.” Furthermore, Curaçao is FATF approved, which confirms that the necessary anti-money laundering, anti-terrorist financing, know your customer, suspicious transactions and related processes and legislation are in place, adequately and in conformity with international FATF standards. This was acknowledged during the plenary meeting of the FATF in Paris in October 2012.

The Growth of the International Financial Sector

As the international financial sector continued to grow, the relationship with the Dutch proved to be significantly important. This was because, first of all, investors could turn to highly respected Dutch courts when facing any legal difficulties. Second, the Dutch had signed a post-war tax treaty with the US, allowing for a routine extension of Dutch territories. This allowed the Antilles to become attractive, not only to Dutch investors, but to American investors as well.

“One of the ways that banks can be more competitive in a global market is through improving technology to match the demands of the population at large.”

The international banking sector on the island reaped the benefits of international business and the foreign investment. The island has seen several international banks setting up shop in Curaçao, resulting in a combination of local boutique banks and international banks.

While tax regimes in the USA continued to worsen during the Cold War, the US-Antilles tax treaty became even more appealing. A US company could open a subsidiary in the Antilles, have them sell Eurobonds in the London Stock Market, and then relend money to the American



Arthur Adams

parent company without paying any interest or tax on the loan. In addition, Curaçao allowed companies to use anonymous bearer shares, which concealed the identities of foreign investors worried about backlash because of their illegal or risky overseas investments.

25 Years Later...

Curacao, as an international financial center, forming part of the Kingdom of the Netherlands, offers a politically stable jurisdiction. Supervision by the Central Bank, as well as by the Supervisory Committee that governs the financial and fiduciary industry, ensures confidentiality, security and stability of the sector, hence Curaçao’s A- sovereign rating by S&P.

As an accepted jurisdiction by the OECD and FATF, and apart from its Qualified Intermediary (QI) status awarded by the United States Internal Revenue and its recent Model I IGA status, Curaçao strives to continue growing a network of bilateral tax information exchange and double taxation treaties.

Despite the fact that Curaçao has historically always been a center of commerce and business between Europe and the Americas, the international financial sector was operating independently, and predominantly focused on facilitating Dutch and US companies. Currently, Curaçao is focusing on Latin America more than ever.

Its geographical location and the available cultural mix of European and Latin-American nationals and languages make Curaçao the ideal hub for international operations conducting business with Latin America. A number of opportunities exist and are already being

developed. In the beginning of 2013 for example, Curaçao signed a TIEA with Colombia, showing Curaçao’s commitment to transparency and ambition to contribute to the development of the Latin American market.

Furthermore, the products and services of the international financial services sector are more and more linked to other sectors, which provides additional added value to international clients. The island has a diverse economy in comparison to other Caribbean islands. Tourism, oil refining, ship repair, transshipment, international trade and IT are all major pillars of the economy. Adams added, “One of the ways that banks can be more competitive in a global market is through improving technology to match the demands of the population at large.”

Why Curaçao?

The Curaçao international financial services sector offers products and services tailored to the need of high net worth individuals, families, closely held businesses, up to and including internationally listed corporations. Curaçao’s financial services sector offers a wide range of products and services in the area of Asset Protection, Inbound and Outbound Finance and Trading.

The financial institutions on Curaçao are under the rigorous supervision of the Central Bank of Curaçao and St. Maarten. The supervision is executed in close cooperation with the Dutch Central Bank. As a consequence, the regulatory and supervisory environment in Curaçao is comparable to that of The Netherlands, meeting high standards and compliance with the anti-money laundering and anti-terrorist financing guidelines of the G20’s Financial Action Task Force.