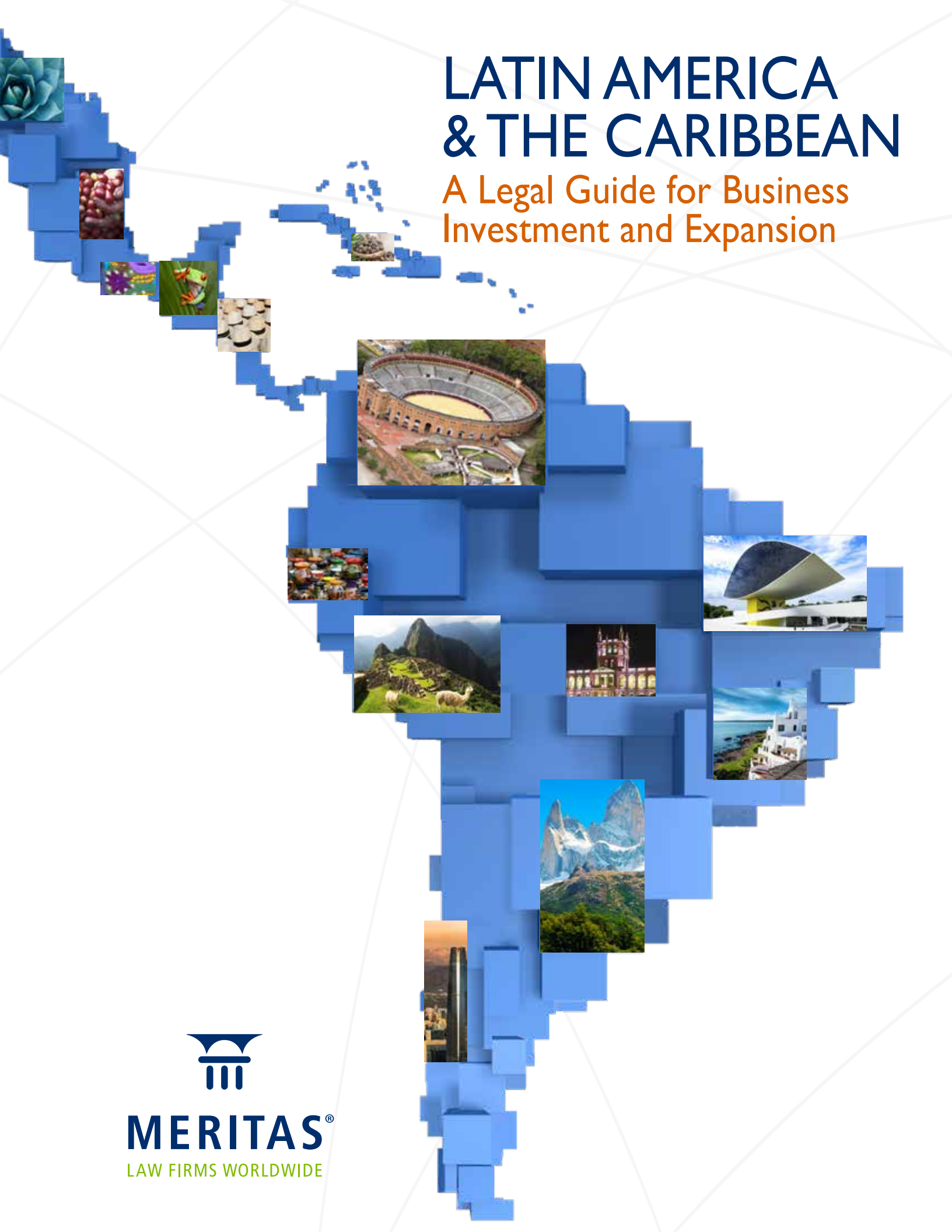


LATIN AMERICA & THE CARIBBEAN

A Legal Guide for Business
Investment and Expansion



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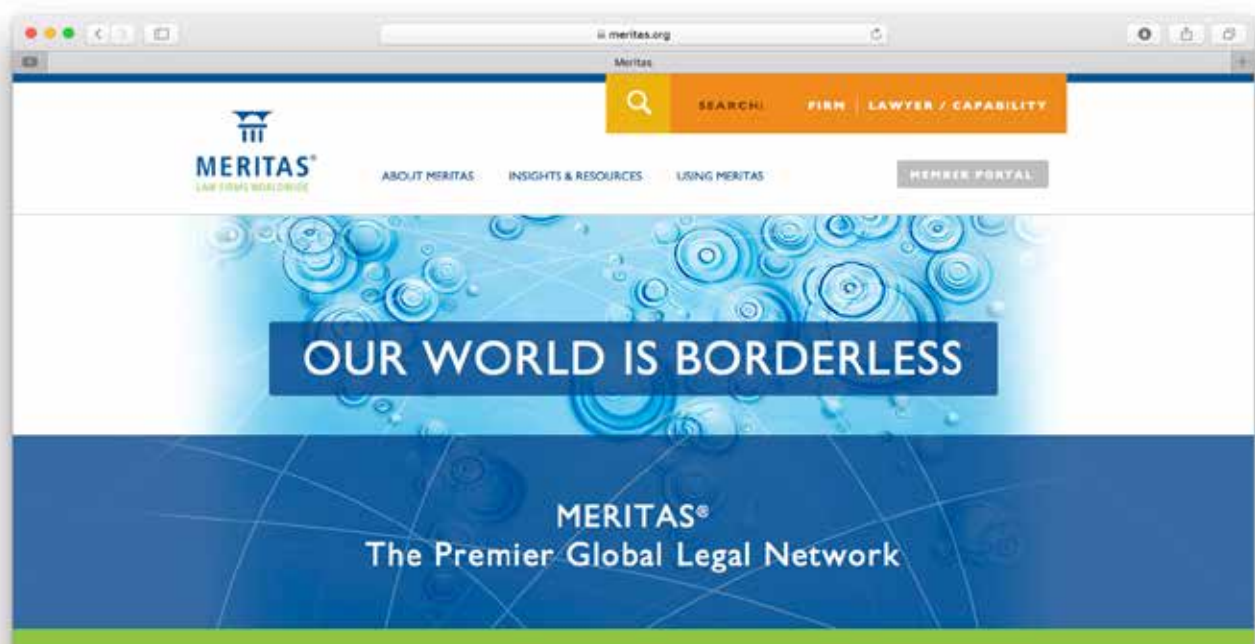
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BRITISH VIRGIN ISLANDS

FIRM PROFILE: CAMPBELLS

Campbells is a leading full service offshore law firm established over 45 years ago. From their offices in the Cayman Islands, the British Virgin Islands and Hong Kong they provide comprehensive corporate and litigation advice and services to clients worldwide in relation to Cayman Islands and British Virgin Islands law.

The firm is regularly trusted to advise some of the most prominent names in finance, investment and insurance and is frequently involved in the largest and most complex transactions, disputes and insolvencies in both jurisdictions. Campbells' legal team is internationally recognised for its expertise by leading directories and trade publications and it is also proud to be actively involved in the development of legislation, sitting on critical government legislative committees. Campbells is a member of the international legal network Meritas.

Campbells offers a comprehensive range of corporate services in the Cayman Islands and the British Virgin Islands. With the increasing corporate governance and accountability demands companies are facing, it is more important than ever to have an experienced and reliable corporate services provider behind you. Our Cayman Islands affiliate, Campbells Corporate Services Limited, holds a full trust licence issued by the Cayman Islands Monetary Authority and provides comprehensive company management and trust services to both local and offshore clients. Our BVI affiliate, Campbells Corporate Services (BVI) Limited, holds a Class III trust licence issued by the British Virgin Islands Financial Services Commission and provides a full suite of company management services to international clients.

CONTACT:

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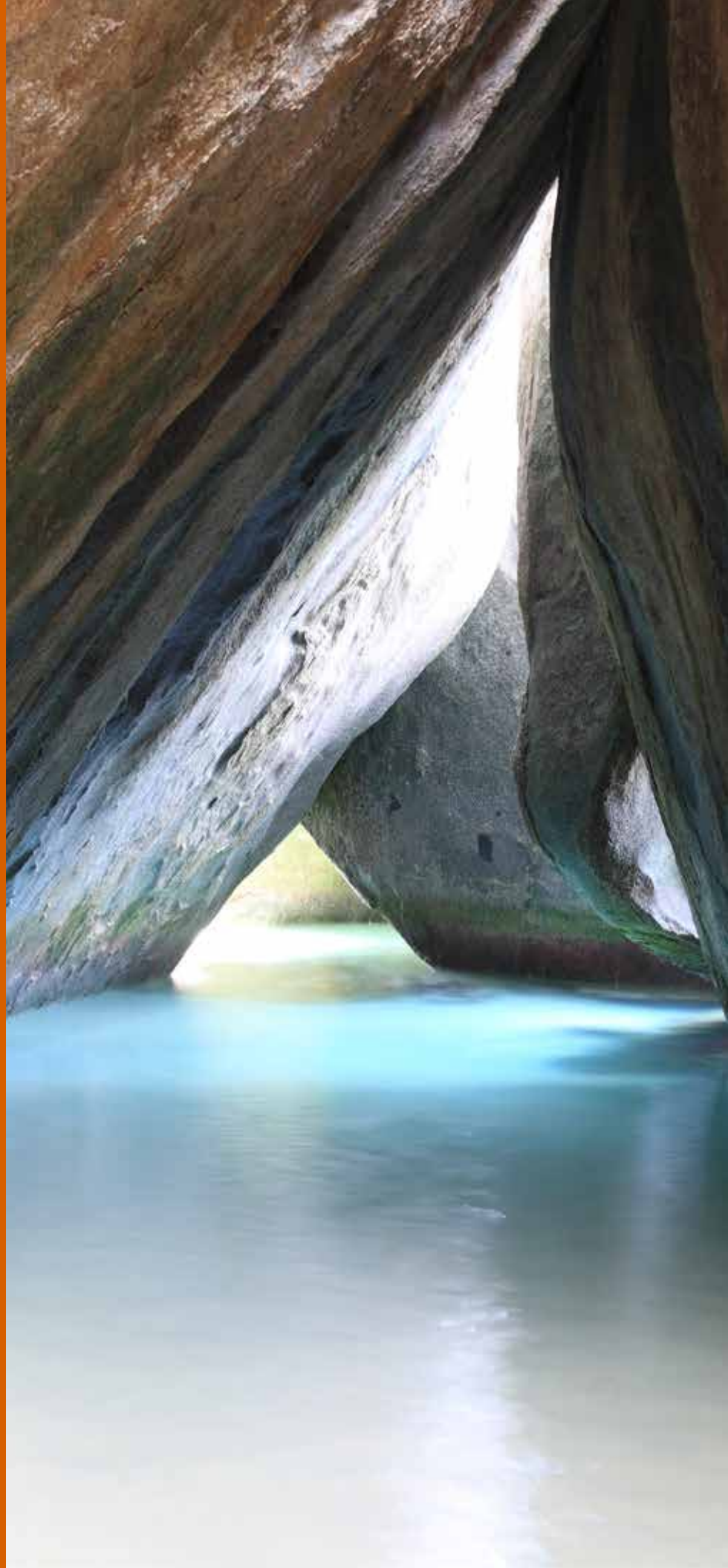
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1. What role does the government of the British Virgin Islands play in approving and regulating foreign direct investment?

The British Virgin Islands (commonly referred to as BVI) are a British Overseas Territory. As a British Overseas Territory the British Virgin Islands are under the jurisdiction and sovereignty of the United Kingdom. The British Virgin Islands are internally self-governing, with the United Kingdom retaining responsibility for defence and foreign relations.

The government of the British Virgin Islands plays a critical role in attracting, approving and regulating foreign investments into the British Virgin Islands.

The pillars of the British Virgin Islands have been financial and legal services and tourism and the British Virgin Islands government welcomes foreign investors in these and other sectors.

The British Virgin Islands does not levy income taxes or any capital gains, capital transfer, inheritance or estate taxes or death duties. The principal taxes that apply to businesses and their employees in the British Virgin Islands are payroll tax, a social security levy and contributions to the recently introduced national health insurance.

2. Can foreign investors conduct business in the British Virgin Islands without a local partner? If so, how does the British Virgin Islands government regulate commercial joint ventures between foreign investors and local firms?

In limited circumstances foreign investors may be able obtain governmental approval to conduct local business without a local partner. By way of background, in order to carry out business in the British Virgin Islands, a trade licence issued under the Business, Professions and Trade Licences Act 1989 must be obtained from the Trade and Investment Promotion Department subject to limited exceptions, for example in the area of company management services. In order to be able to work in the British Virgin Islands, a work permit must be obtained. Employers are obliged by law to give preference to British Virgin Islands citizens applying for employment, if that person is as qualified as a foreigner applying for that role. In practice, foreign investors are encouraged to involve a local partner into their venture. The choice of local partners is in the absolute discretion of the foreign investor.

A joint venture would normally use a BVI Business Company registered in the British Virgin Islands as corporate vehicle. The principle company law statute in the British Virgin Islands is the BVI Business Companies Act, 2004.

ADVANTAGES OF USING A BVI COMPANY:

Ease of incorporation

A BVI Business Company can be incorporated within 24 hours of the British Virgin Islands registered agent having received all of the required anti-money-laundering due diligence information on the proposed shareholders, directors and ultimate beneficial owners of the company. The costs of incorporating a British Virgin Islands company are low in comparison to other offshore jurisdictions. Once a British Virgin Islands company is incorporated there is a requirement to pay an annual government licence fee plus any standard fees charged by the registered agent. The affiliate of the Meritas member firm Campbells Corporate Services (BVI) Limited, an affiliate of the Meritas member firm, offers company formation and maintenance services.

Flexibility

The BVI Business Companies Act 2004 is unique in the flexibility it provides. For example, the constitutional documents (the memorandum and articles of association) of a BVI Business Company can be drafted to accommodate a specific transaction or shareholders' agreement or can be amended to include required provisions from a particular stock exchange.

No residency requirements for directors

There is no requirement for a BVI Business Company to have British Virgin Islands resident directors (subject to limited exception for financial services providers). This of course does not preclude a client

from choosing to have BVI resident directors should they need to for tax purposes outside the British Virgin Islands.

Directors of joint venture companies

The basic statutory duty of a director is to act in a manner which he believes to be in the best interests of the BVI Business Company. This can often be an issue for a director of a joint venture vehicle when appointed by a particular shareholder. However, this is addressed in the BVI Business Companies Act, 2004 and provides that a specific provision can be drafted into the articles of association of the BVI Business Company permitting a director of a joint venture company to act in the best interests of one or more shareholders regardless of whether such action is in the best interest of the company itself.

Dividends and distributions

One of the major advantages of using a BVI Business Company in your global structure is the ease with which profits or assets can be released from the BVI Business Company to the shareholders. In order to declare a dividend or distribution, the directors of the BVI Business Company are only required to declare that (i) the company's assets exceed its liabilities and (ii) the company is able to pay its debts as they fall due. There is no requirement for the BVI Business Company to have distributable reserves or profits before a distribution can be paid out. Distributions and dividends can be paid either in cash or in specie.

3. What laws influence the relationship between local agents and distributors and foreign companies?

The British Virgin Islands is a British Overseas Territory and as such its legal system is based on English law and its common law precedents.

Foreign investment will usually be made through a BVI Business Company. Each BVI Business Company must have a registered agent and registered office in the British Virgin Islands. Registered agents play an important role as the physical presence of a BVI Business Company and the point of contact for the Registry of Corporate Affairs. Registered Agents are regulated by the British Virgin Islands Financial Services Commission.

Contracts between the parties involved may be governed by British Virgin Islands law or foreign law.

4. How does the British Virgin Islands government regulate proposed merger and acquisition activities by foreign investors and are there any areas of the economy where they are prohibited (e.g., natural resources, energy or telecommunications)?

The BVI Business Companies Act, 2004 provides for a streamlined process for mergers and consolidations between BVI companies and foreign companies.

Each company participating in a merger or consolidation is referred to as a "constituent company". It is possible to merge or consolidate two

or more constituent companies. In a "merger" one of the constituent companies survives. The surviving company obtains all rights, privileges, immunities, powers, objects and purposes of each of the constituent companies, and it becomes liable for all claims, debts, liabilities and obligations of each of the other constituent companies. In a "consolidation" none of the constituent companies survives and, instead, a new consolidated company obtains all assets, debts and liabilities of the constituent companies.

Some or all of the shares, whether of different classes or the same class, in each constituent company may be cancelled, reclassified or converted into shares, debt obligations or other securities in the surviving company or consolidated company, or money or other assets, or a combination thereof as provided in the plan of merger.

There are no specific industry areas that are prohibited to foreign investors. The surviving or consolidated company may need a new trade licence issued under the Business, Professions and Trade Licences Act 1989.

5. How do labor statutes regulate the treatment of local employees and expatriate workers?

The constitutional guarantee against discrimination specifically allows for the regulation of employment relations in such a manner that allows local employees to be afforded preferential treatment. Where two or more candidates apply for a job and one of the candidates is a local applicant which qualifies for the

job and has no disciplinary issues, preferential treatment dictates that an offer be made to the local applicant over the other candidate(s).

Expatriate workers must possess a valid work permit, regardless of whether it is paid or unpaid, full-time or part-time. Expatriate workers seeking to change employment within the British Virgin Islands may have to leave the territory until a new work permit is issued. Before the employment of an expatriate will be permitted, that individual's qualifications and experience must be proven to be necessary and sufficient for the position to be filled. Also, it must be proven that there is no local who is able and available to fill that position. Work permits are obtainable for one-year periods although this is currently under review and is likely to be changed to a longer period for certain professions. Employees on work permits are generally prohibited from working for other employers although a secondary part-time permit may be granted in some cases.

6. How do local banks and government regulators deal with the treatment and conversion of local currency, repatriation of funds overseas, letters of credit, and other basic financial transactions?

The US dollar is legal tender in the British Virgin Islands. There is no exchange control or restriction on the movement of US dollar funds into or out of the British Virgin Islands or on their conversion to other currencies.

7. What types of taxes, duties, and levies should a foreign investor in the British Virgin Islands expect to encounter?

In the British Virgin Islands, there is no income tax, corporate or personal. However, payroll taxes are levied on employees of businesses physically based and operating in the British Virgin Islands.

8. How comprehensive are the intellectual property laws of the British Virgin Islands, and do the local courts and tribunals enforce these laws regardless of the nationality of the parties?

The British Virgin Islands do have comprehensive intellectual property laws which are enforceable in the British Virgin Islands regardless of the nationality of the parties. The recently enacted legislation borrows substantially from the United Kingdom equivalent.

9. If a commercial dispute arises, will local courts or will international arbitration offer a more beneficial forum for dispute resolution to foreign investors?

Both forums are available to a foreign investor. There is no universal answer to this question. The nature of the matter under dispute will help to determine which forum is best for a particular foreign investor. The courts in the British Virgin Islands follow English common law and the ultimate court of appeal is the London-based Privy Council.

The British Virgin Islands Arbitration

Act incorporates the UNCITRAL Model Law which ensures that British Virgin Islands arbitration is in accordance with international standards. The British Virgin Islands International Arbitration Centre opened its doors on 16 November 2016. The modern facilities match the new legal framework introduced by the Arbitration Act 2013 that came into force in 2014, backed up by the BVI's accession to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards and the adoption of Arbitration Rules effective from 16 November 2016.

10. What advice can you provide for how best to negotiate or conduct business in the British Virgin Islands?

It is advisable to seek out professional advice on how best to accomplish your investment objectives in the British Virgin Islands. A reputable commercial attorney is a good place to start. This attorney can give advice on the regulatory regime that governs what the investor would like to accomplish in the British Virgin Islands.

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