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*Botswana
as an
International
Financial Services
Centre*

*Feasibility Study
July 1995*

Under the:
Botswana Private Enterprise Development
Project (BPED)
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PREFACE

A project team was appointed in April 1995 under terms of reference from Botswana Development Corporation which required the team to investigate and report on the feasibility of establishing an international financial services centre in Botswana.

A reference group was appointed, comprising members from the Ministries of Finance and Commerce, the Bank of Botswana, Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) and the private sector, to advise the team and to review their findings. The team visited Botswana in May and June 1995, and met twice with the reference group.

The team comprised the following members:

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The project was financed through a grant from the US Agency for International Development to the Botswana Private Enterprise Development Project.

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EXECUTIVE SUMMARY

1. International financial services have been proposed as a possible engine of growth for the Botswana economy. A project team was appointed in April 1995 under terms of reference drawn up by Botswana Development Corporation to perform a detailed feasibility analysis of whether this was the case, and if so, what was required for an international financial services centre to develop in Botswana.

2. **Criteria**

The key criteria by which the success of an IFSC in Botswana will be judged were agreed up front with the Ministry of Finance, the Botswana Development Corporation and the reference group of the project.

A successful IFSC in Botswana should:

- Generate sustainable employment in Botswana, in particular creating jobs of a type which citizens can fill.
- Enhance the skills base of the Botswana workforce.
- Have a positive effect on revenue generated in Botswana in the medium term.
- Create growth opportunities for the economy.

3. **IFSC Survey**

As part of the project, focused surveys of thirteen jurisdictions were commissioned. These jurisdictions included mature, established financial services centres, such as Bermuda and Guernsey, as well as newer centres such as Mauritius and Labuan.

3.1 Successful financial centres are characterised by:

- Low taxes on non-residents and no exchange controls for IFSC business at least.
- Appropriate, flexible regulation and supervision.
- Proximity to major financial markets.
- Good communications infrastructure.
- A particular catalyst which has caused the centre to emerge.

3.2 Unsuccessful centres, in contrast, are characterised by :

- Political or economic uncertainty
- Inflexible regulation
- Inadequate supervision
- Inadequate infrastructure

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4. Regional Demand

- 4.1 South Africa, Namibia and Mauritius are potential or actual IFSC competitors for Botswana. However, the team believes that it is unlikely that South Africa will actively pursue the IFSC route in the medium term.
- 4.2 Botswana offers a number of advantages over certain regional competitors, including its political stability, its strong foreign exchange reserve position and its good infrastructure.
- 4.3 Since South African financial institutions are major potential users of a Botswana IFSC, a survey was undertaken among South African bankers, fund managers and tax planners. The survey showed that:
 - South African financial institutions have been significant users of offshore jurisdictions in recent years, mainly the Channel Islands and Isle of Man;
 - The reasons given for choosing one offshore jurisdiction over another included: its credibility (achieved through the commitment of the government to maintaining the centre and through sound regulation); its commitment to confidentiality and its low costs.
 - Interviewees expressed an interest in developments in Botswana, but would clearly need some persuasion to commit to setting up there.
 - SA banks in particular expressed the need for the SA Reserve Bank to be informed about and to approve their establishment in Botswana.

5. IFSC Services

Five key IFSC activities were identified and described, including the opportunities created by them for service providers in Botswana and possible catalysing factors. These activities are:

- Collective investment undertakings/ fund administration
- International Business Companies
- International Trusts/ trust administration
- Captive insurance/ captive administration
- International banking

6. Options

The team considered a number of options for IFSC development, and recommends as follows:

- that a phased approach, rather than a 'big bang' approach be taken to IFSC development;
- that the Botswana IFSC should concentrate on developing niche markets for which known demand exists;
- that the Botswana IFSC should not be geographically restricted to a local area, but should rather register businesses by their function, regardless of their location in Botswana.

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7. Statutory & Tax Implications

The decision to proceed with an IFSC has a number of implications in key areas:

- 7.1 Exchange control : As long as exchange control remains on residents, IFSC activities would require exemption from all prevailing forex controls.
- 7.2 Tax: Botswana's present source-based tax laws would require clarification and refinement to ensure that genuinely off-shore business attracted no tax; for example, interest on international bank deposits must be paid free of tax. In addition, there should be no withholding taxes on payments to non-residents.
- 7.3 Legal: New modern legal and regulatory frameworks would be required to accommodate the necessary legal vehicles for the IFSC, namely: international business companies, trusts and captive insurers.
- 7.4 Regulatory: the country would require an adequate regulatory mechanism to oversee and supervise the international activities and keep out undesirable actors and activities; this report recommends the development of an umbrella-type structure to co-ordinate policy in financial regulatory sub-areas.
- 7.5 Anti-money laundering: unless Botswana adopts statutory anti-money laundering provisions following best international (FATF) standards, it may be exposed to international scandal.

8. Infrastructure

- 8.1 Labour force and skills: Botswana has a reasonably sized labour force, which could benefit from IFSC-created jobs, especially in the clerical and administrative areas. However, expatriate skills would be necessary to start the IFSC, and work permits would have to be made available to them.
- 8.2 Communications: Botswana has a modern though small telecommunications system. A particular concern is the time taken to install a phone line.
- 8.3 Air links: Botswana is well connected and easily accessible within the region.
- 8.4 Office Accommodation: Gaborone has no shortage of office space, although it is expensive by regional standards.

9. Marketing

A comprehensive marketing strategy would be required to attract clients with the desired profile to Botswana. This would require a public-private partnership, with much of the legwork done by private sector service providers.

10. Model

- 10.1 A simple economic model was built, in which projected IFSC revenues were overlaid on the present domestic economy. Assumptions were made about the typical profile of revenues and expenditure of IFSCs service providers, and about the volume of business attracted in different categories.



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- 10.2 The modelling suggests that in the baseline case (with conservative assumptions on numbers of businesses), over 400 new jobs and over P200 m (in 1995 Pula) may be directly generated over five years. P41 m may be collected in local taxes and license fees directly on IFSC activities (net of supervision costs), yielding a positive cash flow to government. Assuming multiplier effects of local spending, the underlying economic growth rate may be raised some 16% over the expected rate in the absence of IFSC activities.
- 10.3 In addition to the baseline scenario, a best case (with double the number of entrants) and worst case (assuming no South African demand) scenario were built. Even in the worst case, revenue flows are positive, although job creation and effects on growth are greatly reduced from the baseline. In the best case, the underlying growth rate may be lifted substantially.

11. Evaluation

- 11.1 The potential for harmful side effects on the domestic economy may be reduced through ring-fencing the IFSC so as to restrict transactions with residents or in domestic currency. This should limit negative effects on control of the money supply for example.
- 11.2 Risks from setting up an IFSC include: the possibility of attracting illicit business; without adequate communication and negotiation, regional misunderstanding may result; and the project may fail to attract sufficient business to be viable. Perceived risks, which do not hold up to scrutiny, include a loss of tax revenue, since tax revenue will in fact be generated on local service providers and license fees on all international businesses.
- 11.3 Limiting factors on the success of an IFSC include: the time taken to install services; the attitude shown towards expatriate work permits; and the slowness of the court and legislative process.

12. Action Plan

The team proposes a three phased approach to IFSC development.

- 12.1 The first phase, which may start immediately, should focus on preparation for the two highest priority areas of business, namely fund administration and international business companies. Detailed action steps are proposed which the team believes are feasible. At the end of this phase, the IFSC would be open for business.
- 12.2 During the subsequent two phases, further pieces of legislation would be drafted and passed to broaden the scope of business, at the same time as intensive marketing and the building of appropriate supervisory capacity.

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13. Conclusion

The project team believes that a Botswana IFSC is feasible, provided that adequate commitment is shown to the project by government and private sector, and that limiting factors can be overcome.

Financial modelling suggests that the IFSC is also viable, in the sense of meeting the main agreed criteria. Even in the worst case, in which there is no regional demand, positive revenues will be generated. However, even if the IFSC were to fail, there are low risks involved for the state since little public investment is required to promote IFSC development. If suitable catalysing factors, such as the relaxation of SA exchange control on residents, appear, then the IFSC could grow very rapidly. However, in the face of increasing international and regional competition, Botswana needs to act quickly and decisively if a Botswana IFSC is to be positioned to take advantage of such opportunities.

The outline for the phased development of an IFSC proposed here may provide the optimum framework for successful implementation.



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1. INTRODUCTION

SUMMARY

International financial services have been proposed as a possible engine of growth for the Botswana economy.

A successful IFSC in Botswana should:

- Generate sustainable employment in Botswana, in particular creating jobs of a type which citizens can fill.
- Enhance the skills base of the Botswana workforce.
- Have a positive effect on revenue generated in Botswana in the medium term.
- Create growth opportunities for the economy.

1.1 *Background to the Study*

The rate of growth of Botswana's real Gross Domestic Product (GDP) has sharply decelerated in recent years, according to the mid-term review of the Seventh National Development Plan in August 1994. After growing at some 10.1% p.a. in the Eighties, the Botswana economy is forecast to grow at less than half that rate in the Nineties. Since the population is continuing to grow at 3.5% p.a., declining growth implies growing unemployment in Botswana. The mid-term review calls for the identification of new engines of growth to replace the traditional engines, diamonds and government expenditures. The report suggests tourism and financial services as possible engines of growth, although it also lists disadvantages, such as high costs, scarcity of human capital and regulations, which presently limit the potential of these two sectors. However, the report cautions,

"Opportunities in these sectors now are more favourable than they will be five years from now. There is not enough time left for a leisurely approach to implementation of policy reforms. There is a real possibility that Botswana will not develop other engines of growth before Government runs out of accumulated cash balances. This is a matter so urgent that it must be put at the top of the list of major issues."

The present project takes place against the background of the need to evaluate seriously the potential for 'other engines of growth'.

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Two previous, related research projects have preceded this one. Their findings and the record of implementation of their recommendations to date are briefly summarised here.

Cost Benefit Study of Liberalising Foreign Exchange Control Regulations

This study recommended that Government should lift exchange controls over two to three years under a phased liberalisation programme. This programme would inter alia include removing all remaining current account restrictions, and allowing residents to open foreign currency accounts at Botswana banks, en route to full liberalisation. The study recommended as part of its timetable the commissioning of a detailed study on Botswana's potential as a financial centre, since the report argued that the liberalisation of exchange control opened up considerable opportunities for Botswana in this area.

Since the tabling of the report arising from the study in January 1994, current account transactions have been now virtually liberalised. From 1 January 1995, capital account transactions were also liberalised, with individuals being allowed to make portfolio or direct investments abroad up to P100 000 p.a., and businesses up to P 1 000 000 p.a. without approval by the Bank of Botswana. From June 1995, residents are allowed to open foreign currency accounts at Botswana banks.

Hence, the phased liberalisation of exchange controls has commenced, and official policy is that it will continue.

Collective Investment Undertakings Project

Since Botswana lacks a legal framework for the establishment of collective investment undertakings (CIUs) such as mutual funds, this project was commissioned in April 1994 to review international best practice and to draft an enabling law and regulations appropriate to Botswana. The report, containing draft legislation, was tabled in November 1994.

The project team identified the opportunity for Botswana to attract offshore investment funds to its jurisdiction by passing appropriate modern legislation. Hence, the draft legislation was designed to cater both for domestic CIUs (i.e. those domiciled and marketed within Botswana) as well as 'exempt foreign funds' which are neither domiciled nor marketed within Botswana, but which are administered from Botswana by licensed fund administrators. Under the draft legislation, a Registrar of CIUs will promulgate regulations under the Act, and an Investment Supervisory Committee will pass rules and supervise the activities of CIUs in Botswana.

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At the time of writing this report, the draft legislation had yet to go before Parliament, but, by some estimates, the legislation may have passed through the legislative process into law by the end of 1995.

These two projects form the immediate background of policy research against which the present project is conducted. The findings and record of implementation of these projects are taken into account in the formulation of proposals in this report.

1.2 Definition

At the outset of the project, the team agreed on a definition of an international financial services centre (IFSC):

A specialised and innovative legislative framework enabling the provision of a distinct range of international financial service activities, while regulating interaction with Botswana residents. The framework requires selective exemption for foreign users from Botswana taxation and exchange control.

This definition will be used as a point of departure for the study.

1.3 Criteria for Evaluation

The criteria by which the success of an IFSC in Botswana will be judged were agreed up front with the Ministry of Finance, the Botswana Development Corporation and the reference group of the project.

A successful IFSC should:

- Generate sustainable employment in Botswana, in particular creating jobs of a type which citizens can fill.
- Enhance the skills base of the Botswana workforce.
- Have a positive effect on revenue generated in Botswana in the medium term.
- Create growth opportunities for the local financial services sector and its supporting professionals and result in start-ups of sustainable new businesses.
- Enhance the reputation of Botswana in international financial markets, and increase the international visibility of Botswana.
- Adequately oversee and supervise activities so as to prevent illicit activity.
- Not disrupt domestic financial markets, but rather promote their development.

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These criteria therefore provide the objectives against which the feasibility of a Botswana IFSC should be measured.

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2. CHARACTERISTICS OF IFSC'S

SUMMARY

As part of the project, focused surveys of thirteen jurisdictions including successful and unsuccessful financial centres were commissioned. These jurisdictions included mature, established financial centres, such as Bermuda and Guernsey, as well as newer centres such as Mauritius and Labuan.

2.1 *Review of Survey of IFSCs*

A list of thirteen international financial service centres (IFSCs) was drawn up from the terms of reference, as amended at the first reference group meeting. These thirteen are located around the world, as the map on page 12 shows. The IFSCs chosen include both established, mature IFSCs, such as Luxembourg or Bermuda, and newer jurisdictions such as Mauritius and Malta. 'Successful' and 'unsuccessful' IFSCs were chosen, and their essential characteristics are summarised in the next sections. Table 2.1 summarises salient characteristics of each. The details of the IFSCs are given in Appendix A.

2.2 *Characteristics of Successful IFSCs*

- Many IFSCs started out as 'tax havens', offering tax benefits to offshore businesses. For successful IFSCs today, tax benefits alone are not enough, as this list of characteristics shows; but, a key characteristic of all IFSCs remains that low or no tax is charged on non-resident business. However, IFSCs charge a range of tax rates and/or license fees on the resident or onshore part of IFSC activities, such as service providers, as the table shows.
- There are no exchange control restrictions on IFSC activities. Although several jurisdictions, such as Mauritius, maintain exchange controls on residents, IFSC activities are exempted from exchange controls.
- Successful IFSCs have an appropriate and flexible regulatory environment. It is no longer true that IFSCs attract businesses as the result of no or low supervision. Better quality clients seek jurisdictions with a 'clean image', where there is adequate supervision to avoid illicit activities being carried on from the IFSC which could taint all users of the IFSC. The demand for an appropriately regulated environment has even prompted centres with traditionally low regulation in certain areas to introduce new legislation, so as to remain competitive. An example of this is the introduction of a Mutual Funds Act in the Cayman Islands in 1993. Most of the established centres now subscribe to international anti-money laundering practices, discussed later in section 6.5. An



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important characteristic of the legislative and regulatory environment of successful IFSCs is that it remains flexible, able to accommodate adequately financial innovations and new product types which the dynamic financial markets are continuously producing.

- The survey shows that IFSCs draw the bulk of their business from major financial markets in the region, or time zone, in which they are situated. For example, the bulk of the Channel Islands business is drawn from the UK, while the Cayman Islands depend on US and Latin American business. However, in more established jurisdictions with particular niches, business may increasingly be sourced from more distant regions; for example, Bermuda draws insurers from Europe as well as North America. The fact that the bulk of business is regional is important in that it suggests that proximity to major financial markets in a region may be an advantage for an IFSC.
- IFSCs depend on their communications (both air and telecommunications) for contact with their sources of business. Hence, successful IFSCs are those which have easy physical access to major markets, and which have good quality telecommunications offering reliable data and voice linkages to clients.
- Finally, in a number of IFSCs, the emergence of a particular external circumstance has often catalysed major development. For example, the British Virgin Islands have offered offshore company services for many years, but only in 1987, after Panama fell into disfavour as a jurisdiction for offshore companies, did many companies (and Panamanian lawyers) relocate to the BVI, leading to a rapid growth in the number of companies registered there. In the case of Mauritius, the favourable tax treaty with India coupled with the opening of India to foreign investment has provided the major impetus for the IFSC. Hence, although a jurisdiction may set up a suitable environment for an IFSC and have the advantages of proximity and access to major financial markets, often the centre will not develop significantly in the absence of some catalyst.

2.3 *Characteristics of Unsuccessful IFSCs*

Certain IFSCs have been less successful than others in establishing and maintaining their business. Common characteristics include the following list.

- **Political Uncertainty or Instability**
Any uncertainty about the political future of a jurisdiction is likely to affect its credibility. Gibraltar continues to suffer from ongoing uncertainty about its future status under Spain or Britain; similarly, Vanuatu suffered an early blow from the arrival of Russian 'trawlers' which suggested that its sovereignty was in question.
- **Regulatory Inflexibility**
IFSCs which cannot update legislation or regulations to keep up with industry practice will also lose their edge. For example, complaints have been made recently that the Central Bank of Malaysia has not sufficiently adapted regulations for banks in Labuan.



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- Inadequate supervision
In addition to not having appropriate laws or regulation, jurisdictions which do not adequately oversee IFSC activities are more likely to be tainted with major scandal from which it is hard to recover. Gibraltar was badly affected by the Barlow Clowes scandal in the Eighties, in which British investors lost substantial sums, in part due to inadequate supervision.
- Inadequate infrastructure
IFSCs depend on a modern business environment with good facilities, especially for communications, but also for office accommodation and for expatriate staff located there. The lack of adequate infrastructure can seriously hamper development. In Labuan, the lack of initial infrastructure caused the Malaysian authorities to allow Labuan IFSC activities to be based in Kuala Lumpur until adequate infrastructure was developed on Labuan. However, delays in this development have hindered the movement of IFSC activities across to the Labuan jurisdiction.

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Table 2.1 Review of IFSC's

Heading	Bermuda	BVI	Cayman Islands	Dublin	Gibraltar	Guernsey	Isle of Man
Start date	Early 1960's	1967	1960's	1987	Early 1900's	1960's-1970's	Early 1960's
Population Total	60 000	18 000	31 000	3.5 million	28 000	58,867	71 267
Financial services	5 100	2 000	3 780	2 500	1 486	4,743	6,000
Expats	5 500	unknown	unknown	250	unknown	5,247	10 337
Growth in fin sector employment	Increased by 1 000 over 12 years	Full Employment	12% -1979 22.5%-1993	Accounts for 20% of corporate tax yield	Increased by 82 from 1992-1993	Full Employment	1500 (1981) 4500 (1991) 6000 (1996)
IFSCs	8 300	135 000	32 000				34 000
Insurers	1 357	40	370	133			140
No of funds	600	1 300	1 500	177	2	474	138
Trust cos	12	30	44			61	>150
No of banks	3	6	297		27	54	61
Professionals							
Audit	15 Firms	6 Firms	6 Firms	All international firms	28 Firms	25 Firms	65 Firms
Law	14 Firms	10 Firms	15 Firms		30 Firms	11 Firms	30 Firms
GDP p.c. US\$	\$ 21 600	\$ 11 111	\$ 25 806	\$ 14 226	\$ 15 165	\$ 15 067	\$ 11 041
% Financial services	37%	20%	34%	6%	unknown	28%	35%

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Rating	Bermuda	BVI	Cayman Islands	Dublin	Gibraltar	Guernsey	Isle of Man
tax							
Company	Primarily	15%	0%	38%	35%	20%	20%
Personal	on	20%	0%	27-48%	20-50%	20%	15%
Confessional rates (Intl Cos)	Consumption	IBC's exempt	50 year con	10% for international companies no property tax	0% for tax exempt companies Fixed for HNWI	0-30%	2-5%
tax treaties	0	2 Active	0	26 Active 9 Being Revised 7 Planned	0	2 Active	1 Active
regulator	Ber Mon. Auth.	FS Dept	Inspector FS	IDA/CAC	GFSCComm	GFSC	FSC/Insurance C
no of staff	37	45	36	unknown	8	26	15+5
budget	unknown	\$ 45 m	\$ 28.8 m	unknown	unknown	\$1.6m	unknown
source of business	World-wide USA	South America Europe	USA South America	Europe USA	Portugal UK	UK Europe	UK Middle & Far East
	UK	Far East	Europe Far East	Scandinavia Japan	Spain EU	ROW (RSA)	(UK expats) RSA
Time to install phone	1 month	1 week	1 week	Immediate	2 days	1 week	1 week
New developments	Arbitration centre legislation	Intro of Insurance Law Mut. Funds Law	Intro Limited Liability Cos Mut Funds Law	Fund Management legislation Overseas networks also to be tax exempt	Cross border selling	Limited partnership	New trust & cos. leg.
Cost of administrators' office p a	\$ 469,000	\$377,425	\$472,425	\$254,548	\$219,162	\$275,657	\$368,722

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Heading	Labuan	Luxembourg	Malta	Mauritius	Niue	Vanuatu	South Africa
Start date	1990	1929 (1988)	1989 (1994)	1970's (1992)	1994	After 1988	N/A
Population Total	54,000	400,000	360,000	1,200,000	2,500	140,000	40,000,000
Financial services	400	102,050	5,000	431	20	300-500	194,000
Expats	20	unknown	1,890	unknown	0	2000-3000 (100 in FSC)	unknown
Growth in fin sector employment	unknown	unknown	+300 (6%)	unknown			N/A
BC's				2,323			
Insurers				4			
No. of banks	40	200	8	7	1	4	35 local 40 foreign
No. of funds	1	1000	5	45	0	0	60
Trust cos	12		50	21	2	8	unknown
Professionals					0		
Audit	7	6	20	20	NZ	5	2493 firms
Law	7	8	50	200	NZ	9	4316 firms
GDP per c US\$	\$ 3,400 (Malaysia)		\$7,222	\$3,290	N/A	\$1,396	\$3,150
% Financial services	10% (Malaysia)		3.50%	unknown	unknown	7.50%	16.50%

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Heading	Labuan	Luxembourg	Malta	Mauritius	Niue	Vanuatu	South Africa
max Company Personal	30% 0-32%	39.39% (max) 25-35%	35% 15-35%	35% 5-23%	Max. 40% up to 40%	Nil Nil	35% 15-45%
Confessional rates (Intl Cos)	numerous	UCITS: 0.06% NAV	0-5%	15% Div tax free	none	Nil	N/A
max Treaties	40 Active 3 Planned	24 Active	21 Active 6 Planned	10 Active 14 Finalised 2 Planned	0	0	20 Active 22 Planned
Regulator No. of staff Budget	4 Authorities 39 not specified	IML	MFSC	MOBAA 12 \$ 1.25 m	Central Bank	FSC 10 N/A	FSB/ SARB 116 (FSB) \$4.5m
Source of business	Hong Kong Japan USA Europe	Belgium Netherlands France Germany	Italy Switzerland Austria	India Indian Ocean Rim South Africa	Hong Kong Singapore USA	Hong Kong Australia New Zealand	N/A
Time to install phone	less than a week	Immediate	3 weeks	1 month	varies from instant	1-10 days	1 month
New developments	Update rules and regulations	Consolidated supervision of banks bill	New Companies Act	Integrate FSC into economy of the country	Nil	Ongoing updating of legislation	Exchange control to be lifted
Cost of administrators' office p a	\$221,634	\$379,475	\$171,341	\$172,923	N/A	\$260,000	\$219,037



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3. REGIONAL DEMAND

SUMMARY

- South Africa, Namibia and Mauritius are potential or actual IFSC competitors for Botswana.
- Botswana offers a number of advantages over certain regional competitors, including its political stability, its strong foreign exchange reserve position and its good infrastructure.
- Since South African financial institutions are major potential users of a Botswana IFSC, a survey was undertaken among South African bankers, fund managers and tax planners. The survey showed that:
 - South African financial institutions have been significant users of offshore jurisdictions in recent years.
 - The reasons given for choosing one offshore jurisdiction over another included: its credibility, its commitment to confidentiality and its low costs.
 - Interviewees expressed an interest in developments in Botswana, but would clearly need some persuasion to commit to setting up there.
 - SA banks in particular expressed the need for the SA Reserve Bank to be informed about and to approve their establishment in Botswana.

In the previous section, one of the stated characteristics of successful IFSCs is their proximity to major regional financial markets. In the case of Botswana, the major regional financial markets are based in Johannesburg. Hence, major users of a Botswana IFSC would be likely to come from South Africa. However, there may be competition within the region for IFSC business, arising from Namibia, Mauritius and even possibly South Africa itself. Hence, the first section evaluates the regional competition to Botswana's becoming an IFSC; the second section evaluates Botswana's advantages as an IFSC; and the third evaluates the demand from South Africa for a Botswana IFSC.

3.1 *Regional IFSC Competition*

Other than Botswana, there are three potential regional competitors to Botswana as IFSCs.

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South Africa

Although South Africa is not thought of as an offshore centre, there have been several developments recently which have made it much more competitive. These changes are of concern to Botswana, since, compounded with other advantages of established infrastructure and a pool of financial skills, South Africa may attract international business long before Botswana is in a position to do so. The recent changes include:

- the abolition of the financial Rand and the scrapping of most exchange control restrictions on non-residents;
- Non-Resident Shareholders Tax on Dividend Income is being scrapped from 1 October 1995;
- a recent amendment to the Banks Act allows the opening of branches in line with international practice and several large international banks have announced their intention of opening up in South Africa.

In addition to these changes, SA, like Botswana, has a source-based taxation system which is suitable for international business activity. The result of the recent changes has been noticed in offshore business circles. *The Offshore Financial Review* recently reported that, "South Africa is to become the tax-friendly Luxembourg style tax haven of the Southern hemisphere."

However, these changes, together with other advantages in infrastructure and skills, will not alone make South Africa a competitive IFSC. In particular, it is the belief of the project team that, because of its large and developed financial sector and the backlog of other legislative priorities, South Africa is likely to lack the legislative agility to keep its legislation and regulations competitive at least for some years to come. In addition, development priorities are likely to keep tax rates on domestic business relatively high.

Hence, the prospects of SA actively seeking to develop a competitive IFSC seem low at present. However, even if SA did establish an IFSC, there would still be niches for a Botswana IFSC to exploit, in particular, offering services to SA based businesses.

Mauritius

Mauritius has the one operating IFSC more-or-less within the region, and, as the Appendix shows, it has been reasonably successful in attracting IFSC business. However, IFSC activity is very focused on India at present, and it seems that SA financial services businesses have yet to use Mauritius. It is likely that Mauritius will increase its IFSC marketing activities within the Southern African region. While it will benefit from having an established IFSC framework, Mauritius will be at a disadvantage relative to Botswana because of its relative distance from Johannesburg.

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Namibia

Namibia has recently proclaimed an export processing zone at Walvis Bay. The legislation enabling this contained a section providing for offshore banking which was struck out of the bill before passage. However, the offshore banking provisions have been placed in a separate bill. A Californian-based offshore services company, which publishes a major offshore magazine, is apparently behind the introduction of this bill, although there is still widespread ignorance among business service providers in Windhoek about the bill or its implications. The Californian group is reportedly now saying that the bill is likely to be passed into law within the next few months.

If this is the case, then Namibia will become Africa's first true IFSC, albeit with limited services. Since there is considerable advantage in being the first in a region, this suggests the need for Botswana to move quickly. However, the fact that the Namibian bill has been pursued somewhat clandestinely suggests that the potential IFSC will lack widespread support; and the lack of an adequate supervisory capacity is likely to deter reputable operators from leaping to setting up there. In addition, Gaborone has the (slight) advantage of greater proximity and access to Johannesburg.

Evaluation

Hence, there are undoubtedly potential and actual regional competitors for Botswana in attracting international financial services. While the absence of strong regional competition would certainly help Botswana become established as an IFSC, the threat of regional competition alone should not deter Botswana from proceeding. The world of IFSCs is highly competitive: in several regions of the world, such as the Caribbean, a number of jurisdictions in close proximity fight for competitive advantage. Botswana's success as an IFSC may persuade others in the region to try; hence, a Botswana IFSC would have to monitor its competitiveness in an ongoing way. The threat of regional competition suggests that there is no room for complacency in Botswana, and because of first mover advantage, there is in fact a need for urgency if Botswana is to move in this direction.

3.2 Why Botswana?

Against the background of the potential regional competitors, the competitive advantages of Botswana may be listed.

- Botswana is centrally located within the Southern African region and is particularly accessible from Johannesburg, the regional financial centre (see 7.3).

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- Botswana is in the same, or similar, time zone as continental Europe, facilitating communications during the working day, as well as making air travel less onerous.
- Botswana has a history of political stability and has a stable workforce.
- Botswana has a strong currency reserve position, and a relatively hard regional currency.
- Botswana generally has good infrastructure for modern businesses, with certain limitations set out in Section 7.

As part of the survey of IFSC jurisdictions, a detailed analysis was done of the annual total costs of running a standardised administration office in each jurisdiction, using defined cost categories. A summary of the results is contained in Table 3.1 which follows.

The table reveals that Botswana would be a medium cost IFSC destination--considerably less expensive than established IFSCs like Cayman and Bermuda, but also significantly more expensive than some of the newer IFSCs such as Malta and Mauritius. Importantly, the latter two may compete in similar markets to Botswana. Since part of the high cost in Botswana relates to costs, such as the relatively high cost of skilled labour, which cannot be changed, it is therefore all the more important for Botswana to offer other compelling advantages, and to seek to position itself as a quality jurisdiction.

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Table 3.1 Annual costs of running an administration office in US\$: A comparison of IFSCs

Expense	Note	Bermuda	BVI	Cayman Islands	Dublin	Gibraltar	Guernsey	Isle of Man	Labuan	Lux	Malta	Mauritius	Vanuatu	South Africa	Botswana
Basic Salaries	1	220 000	170 000	225 000	132 000	137 500	136 722	162 000	103 500	196 810	103 500	90 500	115 000	115 065	136 500
Management		100 000	80 000	120 000	72 000	60 000	64 340	70 000	60 000	82 870	45 000	60 000	60 000	65 750	70 000
Depreciation		90 000	65 000	75 000	48 000	67 500	51 472	56 000	40 000	87 010	51 000	22 500	50 000	41 095	60 000
Repairs		30 000	25 000	30 000	12 000	10 000	20 910	36 000	3 500	26 930	7 500	8 000	5 000	8 220	6 500
Profits		56 000	34 500	43 500	28 400	15 475	27 841	44 375	39 740	50 230	17 250	24 605	15 450	28 035	31 300
Financial Aid	2	10 000	9 250	9 750	1 600	2 750	5 126	3 875	8 000	5 070	0	605	12 000	2 835	3 650
Commission	3	10 000	9 250	9 750	13 200	6 875	13 080	16 200	14 490	19 090	17 250	8 500	3 450	7 940	13 650
Business Prov	4	15 000	16 000	24 000	13 600	5 850	9 635	24 300	17 250	26 070	0	15 500	0	17 260	14 000
Stamp Duty		21 000	0	0	0	0	0	0	0	0	0	0	0	0	0
Telephone	5	35 000	33 000	39 000	13 120	6 500	32 758	21 375	3 070	20 715	6 000	16 235	22 360	18 590	25 000
Postage		4 000	1 000	1 000	8 960	300	730	775	130	1 725	300	720	200	585	2 000
Printing		1 000	2 000	2 000	960	1 200	1 145	3 100	540	3 450	300	515	2 160	1 565	2 000
Insurance	6	30 000	30 000	36 000	3 200	5 000	30 883	17 500	2 400	15 540	5 400	15 000	20 000	16 440	21 000
Travel		23 000	22 625	22 625	13 028	3 718	11 726	15 810	13 872	18 990	6 718	4 715	24 875	8 759	11 385
Passenger's M.C		3 000	905	905	520	260	869	310	720	1 035	246	250	2 125	248	322
Photocopier		0	0	0	1 040	390	1 303	8 525	432	2 070	1 723	1130	6 000	1 240	1 612
Computers		6 000	4 525	4 525	3 110	390	1 737	1 550	1 440	8 290	738	700	5 750	1 982	2 576
Furniture		4 000	9 655	9 655	4 730	1 846	5 645	3 875	10 128	4 145	2 830	2 255	9 750	3 223	4 190
		10 000	7 540	7 540	3 628	832	2 172	1 550	1 152	3 450	1 181	380	1 250	2 066	2 685

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Expense	Note	Bermuda	BVI	Cayman Islands	Dublin	Gibraltar	Guernsey	Isle of Man	Labuan	Lux	Malta	Mauritius	Vanuatu	South Africa	Botswana
er Expenses		135 000	117 300	142 300	68 000	55 969	66 610	125 162	61 452	92 730	37 873	36 850	83 115	48 588	68 209
irance	7	10 000	2 000	2 500	2 400	429	129	7 750	4 188	2 070	273	165	125	1 742	2 265
tionery/Print	8	10 000	8 000	10 000	3 200	1 200	3 378	3 100	960	4 140	3 000	1 000	3 000	3 288	4 275
ce rental	9	32 000	20 000	24 000	32 000	24 000	38 604	18 600	25 824	31 075	12 000	12 000	19 200	9 863	19 450
king	10	0	2 000	10 800	4 800	3 240	4 826	6 587	0	4 140	0	1 080	0	2 952	5 821
anners	11	6 000	2 500	4 200	800	2 400	2 509	1 550	1 680	3 450	1 200	1 800	1 890	1 200	1 500
uters	12	5 000	4 800	4 800	2 400	1 200	5 791	31 000	266	1 325	0	3 000	42 000	4 000	5 000
ertainment	13	5 000	18 000	18 000	1 600	3 000	1 609	15 500	14 400	9 945	3 000	1 500	3 600	4 920	5 000
vspapers	14	2 000	2 000	2 000	3 200	1 000	1 126	775	1 518	645	640	500	200	548	712
enses	15	5 000	5 000	6 000	0	3 000	193	11 625	808	3 450	300	4 000	500	1 644	2 500
vertising	16	24 000	18 000	24 000	9 600	12 000	1 609	7 750	2 400	16 575	3 600	6 000	6 000	6 576	6 500
vel	17	30 000	30 000	30 000	4 800	2 000	2 895	15 500	7 008	11 570	10 000	5 000	4 500	8 220	10 686
run exp	18	0	0	0	1 600	400	370	3 100	960	1 245	2 500	300	1 000	1 151	1 500
ice Teas	19	2 000	0	0	800	900	1 641	775	800	2 400	360	300	600	840	1 000
ndries		4 000	5 000	6 000	800	1 200	1 930	1 550	640	700	1 000	205	500	1 644	2 000
TOTAL US\$		469 000	377 425	472 425	254 548	219 162	275 657	368 722	221 634	379 475	171 341	172 923	260 800	219 037	272 394

NB. Detailed notes on the above calculations available on request from the Botswana Development Corporation.



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3.3 South African Demand for a Botswana IFSC

A previous section has analysed the potential of South Africa as a competitor to Botswana in international financial services. However, it is more likely that South African businesses would be users of a Botswana IFSC. In order to establish attitudes towards a potential Botswana IFSC, a survey was undertaken by interviewing the management of several major SA banking and fund management groups, as well as tax advisors.

These interviews revealed a cautious interest among SA financial institutions about possible developments in Botswana. The following points emerged:

- most of them already have extensive offshore interests, mainly in established UK offshore centres such as Jersey, Guernsey and Isle of Man;
- all were aware of developments in newer centres such as Mauritius but were adopting a wait and see attitude;
- the major reasons cited for choosing an offshore centre included: credibility (arising from the commitment of the jurisdiction and from proper regulation), confidentiality and costs;
- Botswana would have to overcome the credibility gap as an emerging financial centre by demonstrating real commitment at all levels and in government and private sector to the project;
- major SA banks would only use the jurisdiction if the SA Reserve Bank approved their establishment in the jurisdiction. If (implicit) approval were obtained, this would also add credibility.

At present, SA businesses are constrained in their ability to invest in offshore businesses by the presence of SA exchange control on residents. Despite the recent relaxation of controls on non-residents, most analysts expect that full relaxation on residents will not happen for another year or two at least. Hence, the potential SA demand for a Botswana IFSC must be considered pre- and post- SA exchange control relaxation.

Pre- SA exchange control relaxation

Several opportunities may be identified in this phase:

- Some SA financial institutions have had a less than favourable experience of existing offshore centres because of high costs and confusion resulting from the difficulty in ensuring adequate management oversight from SA. Botswana could pointedly target such institutions.



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- SA companies already make use of international business companies in other jurisdictions for marketing and sales to particular regions: Botswana companies could be used for sales into Africa.
- As more SA companies look north into Africa, more travelling by certain staff is required; contracts with staff who spend considerable portions of their time outside SA may be more tax-efficiently structured through Botswana international business companies.
- Because of the certainty introduced by the tax treaty between SA and Botswana, Botswana may prove a competitive location for investment funds which target SA (provided withholding taxes on dividends and interest are relaxed).
- An estimated R50 billion of SA residents' money is currently illegally offshore. The SARB is currently reluctant to extend a general amnesty to these residents. However, a window may be opened for the repatriation of the money to SA without risk of prosecution if the SARB could be persuaded to allow money in via Botswana. This would constitute a limited amnesty, designed to benefit the region most. There is no doubt that, were this opportunity to present itself, this could prove a major catalyst for IFSC development in Botswana.

Post SA Exchange control relaxation

Following the liberalisation of controls of SA residents, Botswana would be able to market a full range of international financial services, targeted at SA users, and stressing the advantages, of easy accessibility mentioned in the previous section.

Particular opportunities may exist in areas such as captive insurance, discussed fully. Section 5.4. In addition, there may be considerable demand for asset protection vehicles (trusts) for high-net worth individuals.

However, the relaxation of SA exchange controls would also provide SA residents with easy access to other established IFSCs hence it is important that Botswana be positioned and established to take advantage of this demand, when relaxation occurs.

It is also clear that SA authorities need to be involved in discussions from this point on so that there is no misunderstanding (see risks- 10.3), and so that regional concessions vital to the start of the centre may be negotiated. In particular, discussions should focus on:

- the adequacy of planned supervisory regimes and the possibilities for cross-border supervision;
- the possibility of the limited exchange control amnesty mentioned above;



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- the possibility of regional relaxation of exchange control, as mooted by the SA Minister of Trade and Industries.

There already exist forums and relationships for ongoing dialogue among regional central bankers, which could be used for this purpose.

Therefore it seems that there is potential demand from SA businesses, but this demand would have to be carefully cultivated through creating an attractive holistic environment and strategic marketing (see 8).

The clear lesson from successful IFSCs is to build on regional demand for financial services. Proximity to major economies and even major financial centres such as London or New York, may be turned to major advantage if the legislative and supporting environment of the IFSC is tailored correctly. The team believes that the growth of regional integration in Southern Africa, including the relaxation of exchange controls, could be an important catalyst in the development of a Botswana IFSC. However, even without strong regional demand, there are opportunities for exploiting demand from elsewhere in particular areas, such as CIU administration, as explained in Section 5.



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4 KEY OPTIONS EVALUATED

SUMMARY

The team considered a number of options for IFSC development, and recommends as follows:

- that a phased approach, rather than a 'big bang' approach be taken to IFSC development;
- that the Botswana IFSC should concentrate on developing niche markets for which known demand exists;
- that the Botswana IFSC should not be geographically restricted to a local area, but should rather register businesses by their function, regardless of their location in Botswana.

In order to form its recommendations, the team has evaluated three key options affecting the type and nature of IFSC development and recommends as follows.

4.1 *Big bang vs. Phased*

An option followed by certain jurisdictions is a so-called 'big bang' approach: to draft and pass a raft of legislation concurrently which sets up the necessary vehicles for an IFSC; and then to declare that the jurisdiction is open for business across a broad range of IFSC activities. Among recent IFSCs, Mauritius and Labuan have followed this route. This option has the advantages of building domestic momentum for the project, which may be dissipated over a longer time frame, and of sending signals of the strong determination on the part of the host government to set up and sustain an IFSC. The disadvantages are that having the legislation in place is no guarantee that business will be attracted; in particular, the physical infrastructure may not be in place to accommodate business, as was the case with Labuan, or the regulatory capacity may not be able to oversee applicants effectively.

The second option is to prioritise areas in which demand is likely to be the greatest and to focus development work in those areas--including the passage of legislation targeted at the niches identified and the development of physical infrastructure and regulatory capacity. The



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team strongly favours this approach on the grounds that (i) it is better suited to Botswana's conditions, in which legislation takes a long time to pass, and (ii) it is a more realistic way of attracting business.

4.2 Niche vs. General

Linked to 4.1 above, certain IFSCs offer international financial service activities across the board, while others have developed legislation and expertise targeted at particular sectors. Over time, IFSCs tend to develop niches; hence, for example, Bermuda is known as the premier location for captive insurance; Cayman Islands for offshore banking; BVI for company registrations; and the Channel Islands & Luxembourg for European investment business.

In line with the discussion in 4.1 above, the team recommends that Botswana choose a few niches up front, namely CIU administration and international business companies, suggested in Section 5 below, in which the potential demand is strongest, and work to develop and market its comparative advantage in these areas. This will avoid dissipating efforts across a broad front at first; and if successful in the niches, the demand for further services, such as international banking, will automatically follow, and in turn, will be easier to service.

4.3 National vs. Geographic

In a number of the smaller IFSC jurisdictions, financial services business may be carried out anywhere in the jurisdiction, provided suitable licensing is obtained. These are national financial centres, where the licensing is by activity, and not by location within the national jurisdiction. Examples of this approach include Isle of Man or Cayman Islands.

Another option is to restrict IFS businesses to operating from premises within a defined sub-area of the national jurisdiction. Such IFSC's are often, although not always, linked to other specific international measures, such as Export Processing Zones. Examples of this approach include Labuan, a regional sub-unit for Malaysia, and the Docklands area of Dublin, Ireland. In general, these geographically specific IFSCs are linked with specific regional development policies: Docklands was a depressed area of Dublin, which the authorities sought to upgrade; and Labuan is an out-lying region of Malaysia, which the central government has sought to promote. In the Botswana context, it might be possible to designate, say, Gaborone, or even a particular



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commercially zoned area within Gaborone, as the site for an international financial service centre.

The team believes that the geographic limitation of the IFSC has no compelling benefits in the Botswana case. If anything, it has the danger of linking international financial services development with particular real estate development. If Botswana were to follow a policy of licensing IFSC business by activity performed, the most likely outcome is that all businesses would operate from Gaborone; possibly even from relatively concentrated areas of Gaborone. However, to restrict IFSC business to any particular areas would invite distortions in the property market.

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5. INTERNATIONAL FINANCIAL SERVICE ACTIVITIES

SUMMARY

Five key IFSC activities were identified and described, including the opportunities created by them for service providers in Botswana and possible catalysing factors. These activities are:

- Collective investment undertakings/ fund administration
- International Business Companies/company administration
- International Trusts/ trust administration
- Captive insurance/ captive administration
- International banking

5.1 *Collective Investment Undertakings (CIUs)*

CIU's, otherwise known as mutual funds, investment funds and unit trusts in other jurisdictions, allow for investors with similar investment objectives to pool their resources and collectively invest in a portfolio of assets with the aim of spreading risk, lowering unit costs and retaining liquidity of investment.

Section I has briefly described the project in 1994 which investigated the potential for CIUs in Botswana and provides draft legislation for implementation. This report should be referred to for a full understanding of CIU's, since this section describes only how CIU business fits into the development of an IFSC.

The draft Collective Investment Act provides for three categories of CIUs to be licensed in Botswana:

- domestic CIUs: which are domiciled locally and marketed to Botswana residents;
- foreign CIUs: which are domiciled elsewhere but are marketed to Botswana residents;
- foreign exempt CIUs: which are a new category of CIU which may or may not be domiciled in Botswana, but the administration of which is carried out in Botswana by licensed fund administrators.

It is the category of foreign exempt CIUs which offer the most potential for the development of IFSC business in Botswana. The draft Act was



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tailored so as to provide for the most modern, flexible and appropriate regulatory environment, which may appeal to fund managers from other jurisdictions.

The business of fund administration includes various functions such as:

- liaison with share/unit holders
- maintaining books of account
- performing net asset value calculations
- calling meeting of members.

The audit of these funds, as well as certain legal services, would also have to be provided in Botswana.

Hence, the skills required by fund administrators would be concentrated at clerical level, in which knowledge of bookkeeping and computer systems for rapid communication is essential. Fund administration companies may be formed by accountants or lawyers, or by existing financial service companies for the purpose of providing services to exempt foreign CIUs.

The team believes that fund administration has the greatest potential as an initial CIU activity under the draft Act. However, CIUs are one vehicle in a broader category of financial services known as investment business.

Another category of investment business which may be offered from a Botswana IFSC is personalised investment management. This involves high net worth individuals and corporations having their assets administered by a financial institution in a financial services centre. The rationale behind such activity will usually be avoiding taxation, asset protection (from political and economic instability as well as from litigation), and the need for confidentiality. Investment management activity will eventually result in the need for a pool of investment advisory and management skills. Some of these skills may initially need to be imported and it is therefore essential that Botswana develops training programmes for the transfer of such skills to the local labour force. During the period that Botswana is maturing as an offshore financial services centre, it is likely that certain investment functions will need to be delegated to other jurisdictions and it is anticipated that a phased approach will be adopted in bringing such activities into the Botswana economy.

In addition to investment activities on behalf of CIUs and high net worth individuals and corporations, it is likely that there will be spin-off



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opportunities for Botswana when other financial vehicles have been established. In particular, investment activity by insurance companies and pension funds in relation to privatisation have been identified as further sources of business for Botswana.

Opportunities for Botswana

World-wide, collective investment undertakings are the fastest growing financial services sector with assets of US\$ 135 billion in 1980 growing to US\$ 2 trillion by 1995. There is no doubt that, properly positioned, Botswana can take a slice of this market.

The CIU legislation as drafted is the most modern and innovative offshore investment legislation in existence today. The CIU legislation would become one of the cornerstones of the IFSC and would enable Botswana to commence marketing the financial services centre.

Importantly, the CIU business does not depend on South African demand. The Act may offer an administration environment appealing to European fund managers within the same time zone.

In addition, Botswana presently has tax treaties with South Africa, Sweden and the United Kingdom, and it may be possible for structures established under CIU legislation to utilise such facilities. It should be anticipated that, as soon as the CIU law is passed, Botswana's treaty network will be reviewed to determine how foreign investors to Botswana can best take advantage of such treaties.

Catalyst: Implementation of CIU legislation

Although nothing prevents CIU business from being undertaken in Botswana at present, the passage of the draft Collective Investment Act may catalyse major developments in this area of business, if appropriate marketing is undertaken. It is believed that the Act may be passed by November 1995. This should be treated as a matter of urgency. However, certain actions may be taken in advance of the passage of the Act and these are outlined in Section 11.



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5.2 International Business Companies (IBCs)

The international tax planning and asset management activities which depend on International Financial Services Centres require the availability of a clear and easy-to-use corporate law. A number of the jurisdictions which have successfully developed as International Financial Services Centres have, within the last ten years, introduced new company law statutes which incorporate modern principles, often alongside the domestic corporate law. Companies set up under these laws are known as international business companies (IBCs) or exempt companies.

Some of the more common uses of IBCs include acting as offshore insurance and reinsurance companies, offshore investment companies, investment holding companies and mutual funds, international trading, leasing or servicing companies, and companies generating international royalties and commissions.

The corporate law which provides for the establishment of IBCs should be sufficiently flexible to accommodate the manner in which such IBCs are managed in the context of an International Financial Services Centre. It is, as the name implies, also essential that IBCs should be exempt from all taxation and exchange controls.

It might be said that Botswana, with its source-based tax system, and its recently amended if not entirely modern company law, possesses the essential ingredients for the existing company structures to be used as IBCs without any further amendments. The application of this concept would result in foreign persons incorporating Botswana companies and using them for non-Botswana transactions, thereby avoiding all Botswana-source income and suffering taxes only on distributions from the company. However, it is not recommended that this route should be followed as it would result in confusion between existing companies conducting business both in Botswana and abroad.

It is recommended that legislation enabling IBCs be introduced as the next essential step in the implementation of the International Financial Services Centre. This can be achieved either by the introduction of a completely new company law which deals with and applies to IBCs only or alternatively by introducing a new section to the existing company law which might provide certain exemptions from some of its provisions for IBCs.



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Some of the characteristics that the company law must provide for in order to be attractive as an IBC jurisdiction are the following. An IBC must:

- allow the possibility of issuing bearer shares;
- be able to have par value shares or no par value shares;
- be able to have a single shareholder;
- have flexible redemption/repurchase procedures for its own shares;
- be able to have corporate directors;
- be able to have a single director;
- preferably not require local directors;
- be able to provide for optional endings to the corporate name (Limited, Inc., S.A. etc.);
- be free from any *ultra vires* principle;
- not have any publication requirements for financial statements.

It is recommended that the IBC legislation should make it a requirement that each IBC should appoint a local registered agent in Botswana. This function should, furthermore be restricted to business entities which are licensed for that purpose. The registered agents would be required to ensure that the corporate documents filed with the registry comply with the statutory requirements and will effectively provide the first tier of regulatory supervision

Opportunities for Botswana in the field of IBCs

These opportunities can best be assessed by considering some of the possible business ventures which might be established in Botswana as a result of the implementation of enabling legislation. These are the following:

Registered Agents

It may be expected that a number of registered agents will be licensed under the International Business Companies Act. These entities will earn fees from the exempt companies and will employ people to administer the companies. The services offered by the registered agents would in the first instance be in maintaining compliance with the formal requirements of the law. It may reasonably be expected that a growing number of the IBC's would, over time, require additional services in the form of Company Secretarial Services, Accounting Services, Legal Services, Audit Services, etc. Some of these would require professional expertise not normally within the capability of the typical registered agent and others may be provided by the registered agents



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themselves. It is expected that the registered agents will be taxed on their net revenues. Registered agents may be required to take a particular legal form, such as Trust Companies, as proposed in section 5.3.

Headquarter Companies

The typical IBC will be incorporated by a foreigner and will be used for foreign (non- Botswana) business purposes. The only connection with the jurisdiction will be the ongoing services required by the law and by the company to be provided in Botswana. It may be, however, that one or more multinational corporations could be encouraged to use a Botswana IBC as the principal holding company of all or some of its group. This would result in the establishment of a group head-office in Botswana which will employ staff and use the local infrastructure. Although such a company should not pay any direct local taxes it would contribute to the economy through its use of local resources.

Ship and Aircraft Registration

In IFSCs, "open registration" or "flags of convenience" are terms used to refer to the opportunity that non-residents may have to register a ship in a country and to carry that country's flag although the administrative headquarters is cited, and the real business is carried on, elsewhere. There are a number of significant reasons other than taxation for using flags of convenience, such as low registration fees, low wage or social security costs, reduced technical standards required and a lack of other operational controls from the Government. Generally, low or no income taxes are paid in the country of registration on profits from the shipping operation.

It may become appropriate for Botswana to consider the establishment of such a registry in order to promote the use of the local infrastructure. The feasibility of such a facility would require to be established independently and no recommendation is presently made in this regard.

What catalysts may stimulate the use of Botswana IBCs

In drafting IBC legislation, it will be important to establish an environment which is in certain respects unique. This may be achieved through factors which are introduced in the law and which are not found in comparable legislation elsewhere or it may arise as a result of



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the interaction between the new legislation and the economic conditions prevailing at a particular point in time. These economic conditions may exist at the time that the IFSC is established or it may be that they arise only thereafter.

It is expected that there will be a continuing growth in the domain of tax exempt commercial activity as the global trend towards free capital movement intensifies. This trend will be manifested in the Southern African region by the abolition of exchange controls in the Rand Monetary Area. It can be expected that the trends which have been demonstrated in the removal of exchange controls elsewhere will be repeated in the region and accordingly there will be an increase in the already high regional use of exempt companies and trusts. Thus, apart from some completely unforeseen event elsewhere in the world, such as a breakdown of law and order in the BVI, it is likely that the principal catalyst for growth in fiduciary services provided from Botswana would be the removal of exchange controls in the Southern African region. This opportunity will only be realised if, when the anticipated event occurs, the industry has already been established in Botswana.

5.3. Trusts

Trusts are commonly used in international tax planning in jurisdictions which recognise the Anglo-Saxon concept of the trust, such as Botswana. Trusts are typically used to own the shares of an IBC or other exempt company. This enables the shareholders of the company to structure their operation in such a way that certain profits may be distributed to the trust for distribution in accordance with the wishes of the founders of the trust.

In most International Financial Services Centres which have an Anglo-Saxon legal foundation, trusts are recognised as being an essential feature in the conduct of fiduciary activities. Botswana's trust law is embodied in the existing jurisprudence and finds its origins in both Roman Dutch and English Common Law principles. It will be essential for this law to be codified if trusts are to serve as useful structural vehicles in an International Financial Services Centre. In addition, the trust law should be clear and preferably qualified in a single Act of Parliament. It is also necessary that the trust be exempt from taxation.

In addition it may be useful for some of the following aspects to be addressed in any new trust law.



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Under modern trust law a settlor, on setting up a trust, looks for a simple tax regime. The separation of the beneficial ownership from the legal ownership is behind the use of trusts in tax planning. By placing assets into legal ownership of the trustees in whose hands they are no longer taxable leaves the beneficial owners, the beneficiaries, free to enjoy the assets without the assets and the accrued income being reduced by taxation. The ideal for an IFSC is that no taxation of any kind is payable by an international trust or by its trustees or any beneficiary. This would allow attention to be paid to the purpose for which the trust is required, apart from tax planning. This is not always possible as the tax consequences of setting up a trust (e.g. taxes on the transfer of assets into a trust) are as important as the subsequent taxation of income and capital.

Most trusts which are established in an IFSC will have some connection with another jurisdiction either because of the source of the assets or, the location of the beneficiaries or the settlor. For this reason, looking to the tax regime which applies in the jurisdiction where the trust is established, however favourable, is not enough since the settlors or beneficiaries may be taxed elsewhere, whether or not they receive income or capital. In this report no attempt has been made at solving complicated international tax planning issues. Rather, the report concentrates only on the potential beneficial effect of having a legal environment in Botswana which is favourable to the establishment of trusts which are exempt from taxation in that country.

In IFSCs, trusts are used extensively to mitigate inheritance taxes, capital gains tax and to establish pension schemes. The increasing demands of business from an international point of view have resulted in a highly paid and highly mobile executive workforce. Companies are much more inclined to introduce performance related remuneration packages and take steps to establish employees' share ownership and pension schemes in tax effective jurisdictions. Multinationals will establish their structures in the most favourable jurisdiction from a tax point of view.

In many civil law countries there are forced heirship rules which restrict a testator's ability to provide for the disposition of his estate in the manner which he would prefer. Testators who seek to avoid these rules often resort to trusts. Some jurisdictions, such as Guernsey have sought to attract the establishment of trusts for this purpose by providing in their Trust Law that no disposition by a settlor would be invalidated by any foreign rule of forced heirship or by reason of the fact that the concept of a trust was unknown to or not admitted by the law of that jurisdiction. Similar provisions might be incorporated in the Botswana law.



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Another legislative feature which might be usefully adopted in the trust law of Botswana is the possibility that a settlor of a trust, wherever situated may expressly declare that Botswana law shall be the governing law of the trust and that such a declaration will be recognised by the Botswana Courts as valid and conclusive regardless of any other circumstance. The law should also recognise provisions in a trust deed for the changing of the governing law to or from the laws of Botswana.

The legislation should also address those areas concerned with the validity, and administration of trusts, and the capacity of a settlor to a Botswana trust. An attempt should be made to eliminate as many as possible of the uncertainties which exist where different systems of law and jurisdiction may be at issue.

Opportunities for Botswana

The trust law would typically also regulate the licensing and establishment of trust companies. Apart from the function of acting as trustee the activities conducted by trust companies are very similar to that conducted by registered agents and it may be envisaged that those entities licensed to act as registered agents would also be licensed to act as trust companies.

Catalysts for Development of Trust Business in Botswana

As with other areas of IFSC business, the key catalyst for trust administration business is likely to be the abolition of SA exchange controls on residents. This would mean that high net worth SA residents would be likely to seek means of diversifying their wealth holdings internationally, and Botswana trusts may be well placed to benefit. It is also possible that the proposed trust legislation in Botswana may be drafted to be innovative and distinctive, and this in itself may attract service providers from other IFSC jurisdictions.

5.4. *Captive Insurance*

A captive insurer typically acts as a vehicle for the self-insurance of specialised risks faced by the parent company or industry association, when the risks are not adequately catered for in existing traditional insurance markets.



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Captive insurance originated in the United States but has spread throughout Europe and is spreading throughout other continents. There are presently over 3,000 captives world-wide of which 2,300 are based around North America, 700 in European centres and 50 in the Far East. Generally, the growth of captive insurance has been led by multi-national corporations (MNCs) and large national corporations (LNCs) who have formed captives either directly or with the assistance of their insurance brokers. Industry groups which have formed captives include many of the world's energy suppliers, shipping companies, health care providers, and professional groups, all of which have co-operated to address crises in the traditional insurance markets.

Some of the tangible benefits of self insurance through captives include:

- realising the savings from funding predictable claims internally rather than through the traditional markets;
- the possibility of tax deduction on the premiums paid to the captive;
- providing the corporation with savings on direct access to reinsurance coverage;
- opportunity to tailor coverages and deductibles for business segments whilst obtaining optimum market pricing;
- being able to provide evidence to external agencies of insurance coverage.

There has been continued innovation in the risks written by captives. The lines of insurance business favoured by captives include property damage and business interruption; products and public liability; employers liability; marine hull, cargo and liability; directors' and officers' liability; professional liability.

In addition to the general characteristics which need to be in place in order for international financial services to flourish, captive insurance needs to be supported by capable service providers with access to such skills as accounting, treasury, legal and corporate management, underwriting, broking, claims handling, actuarial and audit services. Typically, many of the skills required to administer captives are offered by management entities set up to manage a number of captives. This is a more cost effective means of conducting business than for each captive to establish an individual physical presence. Since some service providers will locate in a jurisdiction with the express intent of developing international business, they would expect to be accorded the same level of incentives and exemptions as the captives they serve.

Insurance regulations and supervision need to be in place to effectively filter out poor quality business to maintain credibility. Such supervision is often best manifested as a co-operative effort by the



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government and industry, through a well defined and streamlined licensing and monitoring system. It is envisaged that captive insurers will be established as IBCs, and that the IBC legislation will incorporate regulations for the licensing, filings and supervision for captives and other exempt companies formed to carry out insurance activities.

The objective of the regulations would be to establish modern legislation comparable to competing jurisdictions. Regulations would cover inter alia the following areas:

- the licensing and registration process for a captive insurer
- minimum capital and solvency margin requirements
- identification of responsible resident officer
- licensing of insurance service providers
- maintaining of records in Botswana
- basis for presentation of financial statements
- preparation of financial statements
- audit requirements
- regulatory filings
- segregation of non-insurance activities
- power to have assets held in Botswana if conducting local business
- powers to request information, monitor, investigate, wind up
- winding up process
- cancellation of registration
- penalties for failure to comply
- confidentiality provisions
- power to modify regulations
- regulations relating to filings to obtain licence and maintain registration

Opportunities for Botswana

There has been continual world-wide growth in the number of captives established, despite trade restrictions in the industry and withdrawal of tax benefits in certain countries. The growth in captive insurance transcends market cycles of premium rates and capacity, and trade protectionism.

Many of the leading insurance brokerage firms have established management capability in the centres for captives. Typically, existing professional service providers, such as accountants or lawyers, would

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apply their local knowledge and resources profitably to service the captive business as the IFSC develops.

Proximity to the bases of corporations and groups likely to self insure through captives is an advantage for an IFSC. There appears to be considerable potential opportunity for the growth of captive insurance business in Botswana for SA companies. A number of large SA businesses set up captives in UK offshore centres, and premiums were estimated at R 200m p.a., until the exchange control authorities and Receiver of Revenue clamped down drastically on the practice following the publication of the Melamet Report in 1990 (*The Commission of Inquiry into the Flow of Short-Term Insurance Premiums out of the Republic and the Operations of Captive Insurers*). To start new captive business would require parent companies to obtain the approval and consent of authorities, such as the Financial Services Board which oversees insurance in SA. Equally as important would be the relaxation of exchange control to allow the ownership of offshore insurance companies. However, following the relaxation of exchange control and other approvals, Botswana may be well placed to attract the next tier of SA businesses which had not yet formed captives before 1990.

Excluding potential demand from South Africa, it is possible that the loss of popularity of other jurisdictions may provide an opportunity to Botswana to cultivate relationships based on selective marketing and tailored regulations.

Captives bring with them relationships with large international companies and groupings which may have spin-off benefits for the leisure industry. Botswana's tourism assets should be regarded as an advantage in attracting captive business to Botswana.

Section 8 of the report addresses the question of marketing of the IFSC in general. The marketing of captive insurance should follow similar lines, involving joint initiatives between the public and private sector groups. The endorsement by recognised captive industry leaders of the advisability of basing business in Botswana would be valuable, but particular targets for marketing should be international captive service providers, and risk managers and advisers to corporations and industry groups in South Africa and other locations which are likely to be interested.

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Catalyst for the development of captive insurance.

There is no doubt that South African companies offer the best potential market for Botswana captive insurance services. Hence, other than developing an appropriate regulatory and supervisory environment, the major catalyst for development would be the relaxation of SA exchange control, and the allowing of the deductibility of premiums paid to Botswana captives by SA tax authorities.

5.5. International Banking

International banks located in IFSCs provide a number of services to clients with international business activities.

Deposit-taking

Almost all financial centres, whether offshore or not, have substantial deposit-taking activity. Not only are deposits an asset in their own right, but they often form the basis of the liquidity of investment portfolios, or the mechanism by which cash is put to work between holdings of other assets. Most investment life-cycles, whether personal or corporate, start with cash held on deposit in some form. Offshore centres have generally developed a broad range of financial activity after international banks have started offering deposit-taking services.

Banks regard offshore deposits as an important source of their treasury funding. Offshore centres are likely to increase their market share in global deposit-taking as wealth of individuals increases, as legitimate tax avoidance methods become more sophisticated and as banks increase their reliance on personal rather than wholesale deposits.

Foreign Exchange Services

Foreign exchange services offer the transfer of a cash asset from one freely convertible currency to another. Demand for these services will arise from all non-local users of the IFSC, and indeed from many local investors, who will seek to broaden their international asset exposure as international investment opportunities widen. This demand will come from personal, corporate, fund and institutional users. The proposed phased lifting of exchange control on capital account in Botswana is



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likely to add substantially to foreign exchange activity. Principally, foreign exchange products include: currency switching, (spot and forward), hedging and investment settlement.

International Treasury/Trading

Multinational companies and banks have been slow to exploit the available information technology which would facilitate the relocation of treasury and trading operations to offshore financial centres. Over the last 15 years there has been a trend towards centralising the treasury function of multinational and conglomerate groups.

Trading activities now extend well beyond market boundaries. Financial institutions and corporates alike are beginning to place transactions further afield to gain some pricing or competitive advantage, although many have been slow to exploit the available information technology which would allow them to relocate their treasury and trading operations. However, as more multinational groups seek to centralise and optimise their treasury function, there is an opportunity to encourage treasury and trading functions to locate offshore.

International treasuries are used for in-house trading activity or, in some instances, for investment or securities transactions with third parties. External transactions in an IFSC would be entirely with market professionals to avoid exposure of private individuals to high risk market instruments. Bonds, warrants, index and hedge funds could all be structured through such treasury and trading operations.

Custody

Demand for custody operations will arise from other financial centre activities, such as investment management. The use of custodian specialists is often a more efficient and cost saving means of handling this activity.

Internationally, the trend is towards high levels of centralisation of global custody work and a small number of major banks have emerged as dominant in this field. Such global custodians are likely to act as sub-custodians to Botswana custodians in other jurisdictions. However, it is necessary to maintain the primary custody in the offshore centre so that ownership is not inadvertently repatriated to the resident country of the global or sub-custodian, or indeed of the underlying client or beneficial owner.

Products offered by custodians include:



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- *Custody Accounts*, where stocks are held on behalf of identified underlying clients.
- *Fiduciary Accounts*, which are custody accounts where the identity of the underlying client is known only to the intermediary who operates the custody account. The intermediary then has the due diligence obligations.
- *Fund Trusteeship*, where stocks are held by a custodian as trustee for the underlying unit holders. Much greater responsibility attaches to this role.
- *Discretionary Investment Management*, where in addition to providing a custody service the custodian bank will act as investment manager, investing funds on behalf of the client in securities or mutual funds.

Opportunities for Botswana

The Banking Act of 1995 has recently been passed, and the project team believes that this offers a suitable legislative framework for international banks to set up in Botswana. Under the Act, international banks would have to establish local subsidiaries since branches are not permitted. In many jurisdictions, such as S.A. branches of reputable banks are permitted.

The physical presence of an international bank offshore office may typically comprise a manager, who may be from the jurisdiction of the parent, as well as administrative and support staff of four to five people. Local revenues are generated through salaries, overheads and fees to service providers.

The growth in the volume of international business activities is bound to create a demand for international banking services, especially deposit-taking and foreign exchange, since IBCs and international service providers will require these facilities. Existing local banks may be in a position to offer some or all of these services; the growth in demand therefore represents an opportunity for them, rather than a risk (see 10.1). However, other international banks with a presence in offshore centres may be attracted to Botswana as niche service providers.

Catalyst for the development of offshore banking.

As with captive insurance, the biggest catalyst for international banking in Botswana would be the growth of regional integration, and in



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particular, the relaxation of exchange control on residents in SA. While this would mean that Johannesburg-based international banks could also serve the region, the growth of other IFSC activities in Botswana would generate a demand for local banking service providers in Botswana.



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6. STATUTORY & TAX IMPLICATIONS

SUMMARY

The decision to proceed with an IFSC has a number of implications in key areas:

- Exchange control : As long as exchange control remains on residents, IFSC activities would require exemption from all prevailing forex controls.
- Tax: Botswana's present source-based tax laws would require clarification and refinement.
- Legal: New modern legal and regulatory frameworks would be required to accommodate the necessary legal vehicles for the IFSC.
- Regulatory: the country would require an adequate regulatory mechanism to oversee and supervise the international activities and keep out undesirable actors and activities.
- Anti-money laundering: unless Botswana adopts statutory anti-money laundering provisions following best international (FATF) standards, it may be exposed to international scandal.

6.1. Exchange control

The case for complete abolition of exchange control has been well made in calls from the private sector as well as in numerous Government statements on the subject. Many developed economies have abolished exchange control in recent years and many emerging economies have followed suit. Botswana has implemented its own policy of liberalisation and since 1 January 1995 the following remittances have been permitted:-

- *Individuals.* An annual maximum of P100,000 (children 50% of this figure) for each of current account and capital account transactions. Banks are required to see documentary evidence of the purpose but referrals within these limits do not require Central Bank approval. Applications will be considered for current account requirements above the annual maximum. In the case of investment transactions the asset must remain in the name of the Botswana



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individual making the remittance and the income must accrue to that person.

- *Companies.* For current account transactions a maximum of 20% of the previous years turnover or P1m. Amounts in excess are subject to Central Bank scrutiny. For capital account transactions up to P1m per firm subject to certain conditions and Bank of Botswana approval for any amount in excess.

Commercial banks are now permitted to operate foreign currency accounts in Botswana for US dollars, British pound sterling, DM and South African Rand.

Botswana's foreign currency reserves are substantial, particularly in relation to import cover, and most are government owned. Hence protecting the value of the currency cannot be an argument for maintaining exchange control. Since Botswana may suffer tax revenue losses as residents move their funds offshore, away from generating Botswana source income, Botswana may need to tax individuals and firms on world-wide income as a quid pro quo for complete liberalisation.

An international financial centre cannot succeed while it inhibits the free transfer of currencies. As long as exchange control is maintained on Botswana residents, the development of an IFSC would require a provision which would suspend the exchange control rules and laws in respect of all transactions conducted by IBCs and IFSC-recognised activities outside of Botswana or in Botswana with specified service providers. This latter exemption may be necessary to ensure that local contracts may be entered into without complications arising as a result of the exchange control provisions.

6.2 Tax

Although low or no taxes are no longer sufficient conditions for successful modern IFSCs, it is necessary that an IFSC has a tax-competitive environment if it is to attract business.

There must be a virtual absence of corporate taxation on income and capital of non-residents. If income is to be received from outside the IFSC, then either no foreign withholding taxes are levied on such income, or if internal tax legislation of the foreign country requires deduction of tax at source or the imposition of tax on assessable profits, there must be a double tax treaty which reduces such tax to nil or a



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nominal amount. In addition, there must be no withholding taxes levied by the IFSC on distributions or other payments to non-residents. In particular, if international banking is to develop, a statutory concession should permit the gross payment of interest to all depositors. Interest paid gross to Botswana residents should be disclosed to the taxation authority under advice to investors. Many financial centres, such as Isle of Man, have provided an extra-statutory concession in respect of gross interest. However, banks are increasingly looking for certainty when structuring offshore transactions and do not like to rely on a concession which can be withdrawn without notice.

The tax legislation of the IFSC must not include anti-avoidance provisions clawing back any of the above advantages, particularly where the owner of the IFSC company is non-resident.

If resident companies are subject to a tax on income and capital, then there must be concessions entitling certain companies to tax exemption or lower rates on such income; hence in Botswana, the same preferential income tax rate which applies to manufacturing companies should also apply to approved IFSC activities by service providers.

Nature of the Tax Exemptions Required

In order to achieve the minimum required level of exemption for IBCs in particular, it will be necessary for the exempt company legislation itself, or parallel legislation, to achieve the following:

- A confirmation that the source based tax regime will be applied to foreign source income of IBCs;
- A provision which would suspend the withholding tax sections in the income tax act in respect of IBCs and which would allow the payment by these companies of dividends and other distributions without their being subject to withholding tax.

6.3 Legal

In order to offer the services described in Section 5, it will be necessary to have appropriate legislation achieving each of the following:

- an international business companies law;
- a comprehensive trusts law;



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- regulations for captive insurance, which may be promulgated under the IBC law;
- if a ship or aircraft registry is deemed appropriate, legislation providing for such services.

In the drafting of each of these laws, best modern practice should be researched and adapted to the Botswana situation. Some of the special features of each law have been described in the relevant sub-section of Section 5. In addition to the laws themselves, however, the following are necessary features of the legal environment.

Institutionalised confidentiality

Often, a motivating factor for the use of the type of fiduciary services offered in an IFSC is the desire for confidentiality. There are legitimate reasons for such confidentiality to be protected where it is not being used as a screen for criminal activities. This can only be achieved if there are appropriate legislative provisions which both protect the confidentiality of users of the jurisdiction and make it clear in which circumstances the confidentiality may be breached by regulatory agencies.

A credible judicial system

In the description of international trusts in Section 5.3, it was mentioned that there may be multiple jurisdictions involved in a corporate or trust structure established under the laws of a particular IFSC. It is essential therefore that there should be a credible judicial system available to the users of the jurisdiction in order for them to resolve disputes. The judicial system should be capable of giving speedy access to the courts and the judgement of the courts should be respected and show evidence of reliance on precedent. As a corollary of this, it is also important that the judicial system should be staffed by adequately qualified practitioners at every level of legal practice.

An Efficient Registration System

Where any of the fiduciary services which are offered in the jurisdiction require a formal registration process to be effected, it is essential that this process should be capable of being executed as speedily as possible. This means that it should be possible to incorporate a company within one day and that trusts, if they are required to be registered, should be



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capable of being registered by the simple expedient of completing and filing a form.

The company name clearance process and the issuing of certificates of incorporation should be done instantaneously. Unless this minimum requirement can be met it is unlikely that there will be serious consideration given by users of IFSCs to the use of Botswana.

6.4 Regulatory

Effective and appropriate regulation and supervision is a vital part of a successful IFSC. Emerging financial centres often come under greater scrutiny than existing centres and Botswana should seek to maintain the highest standards, since this is likely to attract reputable business in the long run. Since Botswana lacks an adequate consolidated framework for supervising financial services, a full proposal is made here for a regulatory and supervisory body, which may be called the Botswana Financial Services Commission.

Presently, regulation of financial markets and institutions in Botswana is fragmented, as it is undertaken by a number of different regulators with different regulatory philosophies and approaches. In the draft CIU legislation, the general options for regulation were reviewed, namely: self-regulation by market players, full regulation by the state, and a hybrid, involving both state oversight of the process as well as market supervision. The CIU report argued in favour of a hybrid model, based on the small size of the Botswana financial sector and the limited capacity to proliferate government regulators agency. This report endorses the general approach taken in the CIU report and expands on it in the wider context of FSC development.

Ultimate Structure: An Umbrella Regulator

In many IFSCs, such as most of those surveyed for this report, financial regulation is done by a single umbrella body, often called the Financial Services Commission. This Commission usually carries supervisory and often regulatory responsibility for the full range of financial service activities. The advantages of such an umbrella approach in this context include:

- it provides for the co-ordination of a consistent approach to financial sector regulation, as distinctions between traditionally

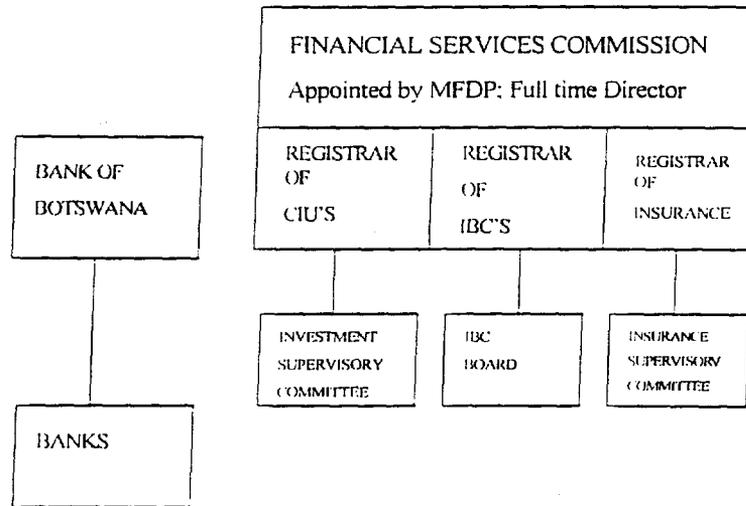
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separate lines of business blur (such as insurance and banking, for example);

- it makes best use of economies of scale in supervisory capacity in small economies, where many of the functional activities of regulation (such as screening entrants and monitoring returns) are similar across market areas;
- it also provides more of a career path for staff than if they were forced to specialise in small institutionally focused departments.

The proposal for a Botswana Financial Services Commission is depicted in the diagram below:

Ultimate Regulatory Structure



The structure proposed envisages ultimately the creation of a Statutory Commission, which would oversee regulatory policy in the financial sector. This Commission would comprise the Registrars of individual areas, who are civil servants in the Ministry of Finance, usually with other responsibilities, together with other appointments of knowledgeable individuals made by (s/v) the Minister of Finance. The Commission would meet on a regular basis to review all proposed legislative and regulatory changes.

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The Registrars of each functional area are presently appointed by the Minister of Finance, and have the power to promulgate regulations in terms of the enabling legislation.

A Supervisory Committee would be established in each functional area, with the responsibility to make and administer rules, under enabling legislation, and to recommend to the Registrar in areas such as licensing. The Supervisory Committee may be partly nominated by the Registrar and/or elected by the industry. These Committees may have a part-time or full-time Secretariat, depending on workload, which would be the working component of the Secretariat. It is possible that one person with the necessary skills may serve as the Secretary to several committees, hence realising economies of scale.

Hence, the proposed structure preserves the hybrid mix of the power of the state-appointed Registrar, under the co-ordination of the Commission, and of the direct supervisory power of the industry committee. The structure has the advantage that it can be implemented in phases: supervisory committees may be set up under delegated authority before full legislation is passed, as was the case with the Interim Stock Exchange Committee, and this approach is proposed below.

One apparent anomaly in the proposed structure is that the Bank Supervision function remains with the Bank of Botswana. This is done out of recognition for the established capacity of the Bank of Botswana in this area. However, the activities of the Registrar of Banks need to be co-ordinated with other industry regulators, especially once offshore banking and other activities are permitted.

However, the precise structure of the proposed FSC and its functions should be the product of further research and discussion. The team has no fixed concept of an umbrella regulator, but wishes rather to suggest that the principle of an umbrella regulator in the context of an IFSC makes sense.

Interim Structure

It is clear that more work has to be done, including the drafting of an enabling law, before the establishment of the ultimate regulatory structure. Hence, the project team has focused on proposing an interim regulatory structure which is feasible to implement in the near future, while fitting in with the long term direction.



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The essence of the proposed interim structure is shown on the next page. Essentially, the proposal is based on the structure envisaged in the draft Collective Investment Act. Under this structure, the Minister of Finance appoints the Registrar of CIUs, who has the power to promulgate regulations under the Act. The Minister also appoints the majority of members of the Investment Supervisory Committee (remainder are elected by the private sector), which has defined functions including the drafting of rules and codes for industry participants. A small-full time Secretariat, under a suitably skilled Secretary, would provide the operating capacity of the Committee in its functions of supervising and overseeing market participants.

A similar structure is proposed for the IBC Registry. The law enabling the establishment of International Business Companies would necessarily provide for the creation of a registration function which would be conducted under the auspices of the State. Domestic companies which are incorporated under the present law in Botswana are registered with a Registrar of Companies which is within the Ministry of Commerce and Industry. However, it is proposed that the Registrar of International Business Companies fall under the control of the Ministry of Finance. This recommendation is made because it is considered that the activities which will be conducted by the IBCs will, because of their financial and fiscal nature, be better regulated in this environment. A more important consideration is that it is likely that the principal regulatory function of the Registrar will be effected through the regulation of the domestic service providers such as registered agents and trustees. The activities of these entities are more akin to those found in financial services than in trading enterprises. In the initial stages, the most likely providers of registered agency services will be local banks which are already under the indirect regulatory control of the Ministry of Finance via the Bank of Botswana.

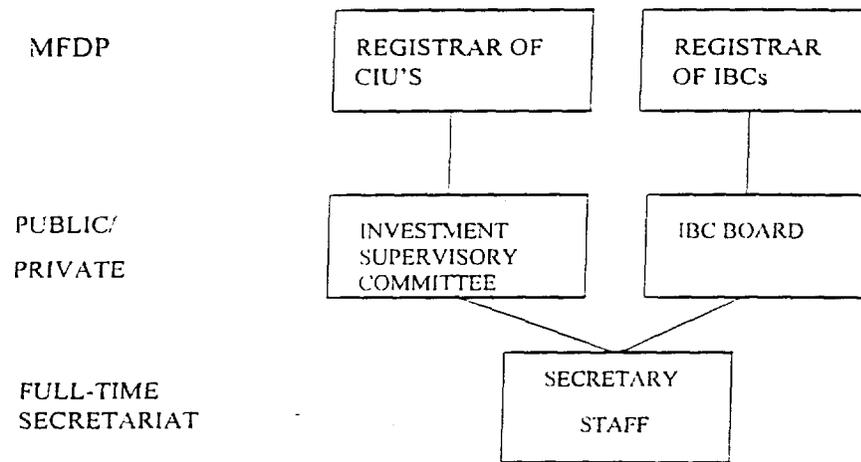
The management of the proposed IBC Board should include private sector participation. It is expected that the preparation of a draft IBC law will provide a specific recommendation in this regard, but it is likely that a similar model to that initially adopted by the stock exchange will be proposed. The motivation for private sector involvement is likely to be:

- the need for relevant expertise in the ministry; and
- the need to ensure that the Registry is managed in a manner that ensures that it meets the very fast response times required by users of IBCs.

The same Secretariat could serve both entities, thereby pooling costs and skills.

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Interim Regulatory Structure



The advantages of the interim structure are that it can be implemented immediately (for CIUs) and that it can easily be incorporated into a later umbrella structure.

The expenses of the Committee/ Board would be met out of fees levied on industry participants, as is common in IFSC jurisdictions. The model presented in Section 9 suggests that, given assumptions about the volumes of IFSC business, the Investment Supervisory Committee and Board may well be self-funding after the first year, and may even return a surplus to the Treasury in later years.

The Committee would also be the logical place to base marketing activities for the jurisdiction at first, and in the long term. This combination of regulatory and marketing roles is also common in IFSCs since the regulatory capacity is often one of the strongest selling points. In addition, an international investor will require a one-stop service in setting up different financial services. In Botswana, too, the Commission may oversee a central marketing budget (see Section 8).



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6.5. Money Laundering

Any financial centre is open to abuse by criminals and unscrupulous intermediaries. Whilst the Banking Act of 1995 empowers the Bank of Botswana to implement anti-money laundering (AML) measures, no action has yet been taken. The lack of suitable measures may expose Botswana to adverse publicity in the event that its institutions are involved in the process of laundering the proceeds of criminal activity.

Partly to counter this threat, but also to comply with the recommendations of the Commonwealth Secretariat, Botswana should implement AML measures as a matter of priority.

In general, a statutory (where AML provisions are embedded in a separate Act) rather than a regulatory (where AML provisions are promulgated by the supervisor) approach to AML is preferred. While regulations are legally enforceable, the level of international recognition is often lower. All Financial Action Task Force ("FATF") countries have statutory AML provisions.

FATF membership provides the only internationally recognised basis of one country accepting the "know your customer" requirements of another. For example, when opening an account, an institution must positively identify its client. This can be done by inspecting a passport or identity document. Having proved identity in this way, an institution in one FATF country, can introduce the same client to an institution in another member country. The second institution is not required to conduct further identity checks.

FATF membership contains great benefits. If Botswana were a member, its institutions could introduce clients to subsidiaries and associates abroad, and vice versa. If rapid action is taken, Botswana may become the first African member of FATF.

Under a statutory framework, the Bank of Botswana (for banking institutions) and the Ministry of Finance (until a suitable umbrella body is formed for other regulated financial businesses) would draw up an FATF approved industry practice document. Institutions would be required to identify their clients, and subsequently report on suspicious transactions. Such measures do not offer a fool-proof mechanism for preventing money laundering, but would ensure that Botswana is applying the highest international standards of care.



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Unless statutory AML measures are first enacted, further relaxation of exchange controls and the establishment of an IFSC as proposed in this report could expose Botswana to an early scandal from which recovery may be very slow indeed.



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7. INFRASTRUCTURE

SUMMARY

- Labour force and skills: Botswana has a reasonably sized labour force, which could benefit from IFSC-created jobs, especially in the clerical and administrative areas. However, expatriate skills would be necessary to start the IFSC, and work permits would have to be made available to them.
- Communications: Botswana has a modern though small telecommunications system. A particular concern is the time taken to install a phone line.
- Air links: Botswana is well connected and easily accessible within the region.
- Office Accommodation: Gaborone has no shortage of office space, although it is expensive by regional standards.

The establishment of an IFSC requires certain infrastructure, both human and physical, to be in place. This Section discusses important aspects.

7.1. Labour force and skills

Unlike the smallest IFSCs, Botswana has a relatively large labour market. According to the August 1991 Population and Housing Census, there were a total of 13,286 people (4.4% of the total) in the so-called 'business services' category. In this category, which presumably includes both employees of financial institutions, as well as service providers like accountants and lawyers, 15% of people belonged to the managerial or professional category, while 75% fell into the technical, clerical or service & sales categories. It is these categories which also show extremely high levels of localisation: 98% for the category of office clerks alone. These levels could benefit most from a growth in demand for administration and clerical services, which would follow the types of IFSC development targeted in this report.

At the same time, University of Botswana output projections show that some 700 undergraduate degrees are awarded annually, of which 40% are in the social sciences. These graduates conceivably have the



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potential to become the management and professional cadre which could staff the IFSC, following training, including possible secondments overseas as well as on-the-job training under expatriate staff. A healthy financial sector will raise the career expectations of young graduates. If international financial services were perceived to be a lucrative and challenging occupation, there may be greater demand for employment from young people entering the labour market. Other IFSC's have experienced improved career opportunities for local people, as a result of which fewer highly qualified school and college leavers have emigrated to seek better training and prospects elsewhere.

Botswana already has a number of capable service providers such as accounting and law firms, some linked to international practices. Initially, however, an IFSC will require expatriate staff to provide specialised management of new activities. It is important that the process for obtaining work permits for expatriates be facilitated, since these skills form the nucleus around which citizens may be employed and skills may be enhanced.

7.2. Telecommunications

There are only some 36 000 telephone lines in Botswana at present. All lines are provided through the state-owned telecommunications corporation. The technology in use at exchanges is modern, and the service provides easy access to international and domestic numbers. A management contract exists with international telecoms company Cable & Wireless for certain key technical services. However, because of a lack of economies of scale, the service is expensive by regional standards. The cost of a unit international call is more than double that in Johannesburg.

More worrying than the cost itself, is the time taken to install a new line. This can take 1.5 months to 2 months, according to corporation staff, although some have experienced delays of 6 to 12 months. This is significantly longer than the longest reported installation delay (around one month) reported by any of the IFSCs surveyed. Nevertheless, the corporation has the capacity to install 4000 - 5000 per year. Deregulation is being considered however, and there is the distinct possibility that a cellular network provider will set up in Botswana.

Since telecommunications is a key aspect to a successful IFSC, the lack of rapid installation service is of particular concern to the team, and may limit the success of the centre.

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7.3. Airlinks

Gaborone is served by four regional airlines, including the national carrier Air Botswana. This ensures good connections within the region. In addition, two British Airways flights per week connect directly through to London; and the Air Botswana flights to Johannesburg, of which there are four per day, are timed to ensure connections with other international carriers. Comair is South Africa's designated carrier on the Johannesburg route, providing a number of daily connections. Air Botswana also has connections through to other regional capitals Harare and Nairobi.

Air Botswana has recognised the need for additional capacity on its busiest route to Johannesburg and is in the process of gearing up capacity through the purchase of additional aircraft.

Gaborone is therefore well connected within the region, and the link through Johannesburg ensures good international access comparable to any major South African city other than Johannesburg.

7.4. Office Accommodation

There is currently no shortage of office accommodation in Gaborone, especially since some 18 000 square metres of government owned office space is due to become available in the next 18 months. Despite this oversupply, the cost of quality office space is high, at over P40/m². While this is some 40% more expensive than good office space in Johannesburg, it is not exorbitant by IFSC standards.

In addition, there is considerable vacant land near the CBD and near the BDC head office which could be developed for offices. Development and building costs may be some P2000-P2500/ m².

The conclusion which we draw from this is that there is no foreseeable shortage of necessary office space in Gaborone. Although some existing space would need to be upgraded for computer wiring etc., the gradual development of office space to cater for IFSC businesses could take place, unless there were a sudden jump in demand.

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Office Equipment

All modern office equipment which is available in Johannesburg is also available in Gaborone, although we were informed that the costs may be 30% higher (as Rand prices are converted on a 1 for 1 basis to Pula prices). This is reflected in the higher overhead costs of maintaining an office in Gaborone, as reported in the survey (see Section 3 Table 3.1).



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8. MARKETING

SUMMARY

A comprehensive marketing strategy would be required to attract clients with the desired profile to Botswana. This would require a public-private partnership, with much of the leg-work done by the private sector service providers.

8.1 *Marketing objectives*

In order to promote Botswana as a new IFSC jurisdiction, a comprehensive marketing plan will be required. The plan would require a clear statement of the type of financial services industry during the first three years, and specifically, should outline objectives for the first year. This should include the extent to which the framework set out in the action plan outlined in Section 11 below will be implemented.

Within the marketing plan, Botswana should seek to address the following issues of market positioning:

- to brand Botswana as a high quality offshore financial services jurisdiction;
- to cultivate an image which portrays Botswana as a financial services centre with a capability for responsiveness, innovation and quality;
- to distinguish Botswana from other offshore jurisdictions by enhancing its reputation in certain sectors and for certain specialist expertise;
- to aim to be perceived as the best rather than the biggest.

8.2 *Marketing principles*

Achievement of the overall marketing objectives will require that they are translated into a series of actions. To ensure focus and to enable co-



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ordination, control and measurement of activity, certain principles should be followed when drawing up the marketing plan, namely:

- organisations targeted for marketing activities should be clearly defined, showing justification for selection and planned initiatives;
- there should be a clear statement as to who is going to do what by when, together with the reasons for the proposed action;
- there should be a distinction between the short and long term.

The marketing plan should both flow from a basic action plan, such as that proposed in Section 11, and should enable the refinement and alteration of that plan. A series of programmes will be developed, each one associated with one or more of the following three marketing platforms: targeting, influencing, positioning.

Targeting

In selecting targets, Botswana should take account of the major players in the global offshore marketplace and also the local financial services businesses that may consider entering the offshore business sector. A target would be defined as any organisation wishing to establish a presence in Botswana for the purposes of providing offshore financial services. Accordingly, the definition would not include investors wishing to utilise such service providers for the establishment of specific entities or specific transactions.

Targets should be classified according to type and marketing expectations under the following categorisation:

- Category one: Targets that can realistically be converted over the next twelve months, separated between banking, investment, fiduciary and insurance opportunities;
- Category two: Targets that are unlikely to be converted in the short term, but will nonetheless be subject to longer term relationship building.

In addition, Botswana would have to select geographic and industry-focused targets. For example, the thrust of this report has been to suggest that South Africa is the geographic market with the largest potential demand; and that sectors such as fund administration should be targeted first.



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Influencing

The aim of influencing is to market directly to the 'connectors or influencers', individuals and corporations that can recommend Botswana or that are important for the overall reputation and image of the jurisdiction.

Examples of individuals and corporations which fall into this category include:

- chairmen and CEOs of major companies;
- merchant banks, banks stockbrokers;
- corporate finance houses;
- financial organisations including development and venture capital funds;
- non-executive directors;
- important government officials;
- senior civil servants;
- attorneys;
- accountants.

Examples of marketing programmes targeted at these individuals and corporations include prestige events, other types of entertainment, and high level seminars.

Positioning

This platform covers all marketing activities concerned with Botswana's reputation and positioning in selected service areas and industry sectors.

These activities include specific seminars, speaking at conferences, production of publications and release of press articles.

8.3 Marketing action plan

Typically, the marketing of IFSCs takes the form of a public-private partnership. State input is required to give credibility and commitment.



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while private sector service providers who stand to benefit most often do most of the 'legwork'.

The framework of a marketing plan may best be drawn up by a public-private body to aid co-ordination. The Investment Supervisory Committee, under the Secretary (described in Appendix D) is likely to be the best body to initiate and co-ordinate this process; later, the envisaged Financial Services Commission may continue the task.

The initiatives outlined below can then be established and refined as the jurisdiction develops as a serious player in the offshore financial services marketplace.

Enlist private sector support

The experience of other thriving offshore jurisdictions identifies the close working relationship between the private sector and government as the single most critical factor for success. Accordingly, the Secretary will need to enlist support from the indigenous organisations that may be involved in the offshore business, particularly attorneys, accountants, bankers, investment advisors and insurance companies. Such support may take the form of a willingness to advertise in the financial media, assistance in drafting legislation, attendance and speaking at offshore financial services conferences, developing in-house brochures and in general the use of the private sector's international contacts to attract international business to Botswana.

In order to achieve such private sector buy-in, the Secretary will need to identify a complete list of potential offshore service providers from the local market place. A series of seminars will then need to be arranged which will educate such potential users as to the attractions and opportunities available, and what will be required from them in order to ensure such opportunities are grasped.

Harness existing marketing resources

Botswana already has in place a number of organisations responsible for marketing Botswana both as a centre for commerce and industry and also as a tourist resort. Comparisons with other jurisdictions indicate that tourism and financial services make an ideal mix, particularly

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when they both provide high quality services. Accordingly, it will be appropriate for the Secretary to work closely with other marketing organisations, such as TIPPA, to ensure that a consistent message regarding to reputation and quality is sent out. In addition, resources can be shared and duplication avoided. This will be particularly useful to the Secretary in establishing a marketing framework.

Compilation of a target list and planned initiatives

In order to identify international organisations which may want to establish a place of business in Botswana for the provision of offshore financial services, it will be necessary for the Secretary to draw up a target list of such organisations. This will include the major international banks, trust companies, investment fund promoters and insurance companies. It is envisaged that there will be a concentration of targets with the following criteria:

- Geographically close to Botswana or in the European time zone;
- Existing enterprises in other offshore jurisdictions;

A suggested format for the targeting programme include the following detail:

- name of target;
- sales or assets (\$M);
- justification for selection;
- specific initiatives planned;
- timing.

The specific initiatives directed at targets will include such activities as mailings, invitations to Botswana as outlined below, and person-to-person meetings in the home country of the target. This latter activity will involve the Secretary visiting the country in which the target is based in order to make a personalised presentation to the target organisation. By its very nature this activity is time consuming and expensive and should therefore only be made to prime targets, where there is a realistic opportunity of persuading them to establish an operation in Botswana. It is recommended that the Secretary make one international trip each year to a pre-selected geographical location. At least three targets should be visited on each trip. In addition, detailed data on each target should be maintained and regularly updated.



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Obtain media exposure

Fundamental to providing the international business community with a profile of Botswana as a reputable and quality offshore financial services centre, is the message that is relayed through the media. This will involve establishing a detailed plan for the release of information to the media with content and timing being critical factors. The likely format for this will be as follows:

- Advertisements in the international financial press and in offshore services publications announcing the launching of Botswana as a financial services centre.
- Interviews on cable television with the Minister of Finance and the Secretary outlining the plans for the Botswana financial services centre.
- A series of press releases to the international financial press and the offshore services publications covering topics such as innovative legislation, quality infrastructure and offshore service organisations which have been attracted to Botswana.
- A series of articles to be published in financial journals, outlining the benefits and attractions of doing business in Botswana, with particular emphasis on those periodicals which focus on offshore jurisdictions.

Print and distribute publications

Although the private sector service providers will be encouraged to put together their own brochures, it will be essential for the Secretary to publish a brochure covering the establishment of Botswana as an international financial services centre. The Secretary should work closely with other marketing organisations in Botswana which have been successful to date in establishing an image of quality, and this should be a recurrent theme throughout all publications. The brochure should be widely distributed throughout the world, to all individuals and organisations which are touched by the financial sector.



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Offshore financial services conferences

Part and parcel of the marketing of all offshore jurisdictions is that service providers from the various jurisdictions regularly attend conferences on topics such as offshore banking, offshore trusts and offshore investment activity. The Secretary should attend at least one such conference each year. This should be carefully selected to ensure that Botswana's exposure can be maximised, for instance by taking part in panel discussions. In addition, the private sector service providers should be encouraged to attend as many such conferences as possible in order to spread the word as widely as possible.

Hold an offshore financial services conference in Botswana

Having put together the necessary publicity machinery as outlined above, the Secretary should arrange for an offshore financial services conference to be held in Botswana. The assistance of a professional conference organiser, such as IBC, would be required, and guest speakers and delegates from around the world invited. The purpose of such a conference would be to bring potential users of Botswana financial services to Botswana to experience first hand not only the quality of the jurisdiction as a financial services centre but also to experience other features of the country that can be enjoyed, particularly the leisure activities associated with Botswana's wildlife and game reserves. It has been proven time and again that people prefer to do business in a conducive environment and the demonstration that Botswana can provide this will be fundamental to its success.

8.4 Action plan summary, timing and budget

In Section 11, a detailed action plan is provided for the first phase of development. The drawing up of a marketing plan within particular market segments selected should form part of that phase, together with the investigation of the initiatives outlined above.

The design and implementation of any initial marketing plan by the Secretary of the Investment Supervisory Committee will require funding. In the financial model, an amount of P830 000 was budgeted for the first year of IFSC development (corresponding to Phase 2 in

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Section 11). This amount may be underwritten by government as its initial investment in the IFSC, or it may be shared on a joint basis with private sector service providers. In subsequent years, government's share of marketing costs may be financed out of license fees earned by the regulators, ultimately channelled through an umbrella authority.



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9. MODEL OF COSTS AND BENEFITS

SUMMARY

- A simple economic model was built, in which projected IFSC revenues were overlaid on the present domestic economy.
- The modelling suggests that in the baseline case over 400 new jobs and over P200 m (in 1995 Pula) may be directly generated over five years. P41 m may be collected in local taxes and license fees directly on IFSC activities.
- In addition to the baseline scenario, a best case (with double the number of entrants) and worst case (assuming no South African demand) scenario were built.

The information gathered both in Botswana and in the international survey provides the input assumptions for a simple economic model of the effect of IFSC activity on the Botswana economy. Appendix C contains the detailed workings of the model.

9.1 Assumptions

The model uses information from the mid-term review of the N.D.P 7 on the present size and projected underlying growth rate of financial and non-financial sector GDP and employment. Then an international financial sector is built in, using assumptions about the average size and revenues of different types (audit, administration, legal, etc.) generated 'onshore' by different classes of service providers to international businesses, namely:

- fund administrators (only domestic and exempt foreign funds are administered in Botswana and generate local revenues), which earn fees as a percentage of assets under administration;
- company administrators for international business companies, who earn fees for forming companies on behalf of clients and for performing annual services;
- international banks; and
- captive insurance administrators, which provide services to captives in return for an annual fee.
- Registered agents/trust companies

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Detailed assumptions for each are provided in Appendix C. Clearly, the number of entrants in each category is especially hard to predict. The assumptions of growth in numbers over five years used in the baseline case are conservative in the light of the experience of comparable newer IFSCs, such as Mauritius, over a shorter period. The baseline assumes that only fund administration and IBC administration services are offered at first, with other services (mainly driven by SA demand) offered from the second year onwards.

Category	Number in Year	Number by Year
	1	5
Foreign exempt CIUs	5	35
Fund administrators	1	4
International Companies	200	8000
Captive insurers	0	45
International Banks	0	4

Based on the assumptions of domestic revenues generated by each entity and the number of entities in each year, the total new contribution to GDP generated by the IFSC may be calculated. In addition to direct IFSC spending, a multiplier effect is likely on local expenditures, particularly because of demand spillovers in areas such as tourist venues, hotel accommodation, and communications services (air and telecoms).

A model of the proposed Investment Supervisory Committee/ Financial Services Commission is also provided. With license fees as its source of revenue, it funds a full-time staff (including the Secretary) which increases annually with the scope of its activities.

9.2 Results

Based on these assumptions, the 'baseline' model suggests that:

- 443 new jobs may be created within five years, of which 174 will be in direct IFSC employment and a further 269 in supporting professional services (audit, legal, company secretarial). In Mauritius, 431 direct FSC jobs have been generated in three years.
- Of these jobs, at least 28 may be filled by expatriates.



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- Some P 216 million in 1995 Pula may be generated in local direct revenues (salaries, licence fees, overheads, audit fees, profits of service providers).
- In addition, even after paying the costs of the FSC and a 50% share in the marketing budget, local new tax and licence revenues on Botswana based activities could become significantly positive after the second year: a net P41 million in direct tax and licence revenues alone may be generated over the five years.
- Including the multiplier effects, this will boost the growth rate of GDP for the period from an expected 3.5% p.a. to 4.1% p.a., an increase of 16%.

Hence, in the baseline case, the main criteria for success are satisfied in that:

- jobs are created, including a relatively high proportion at a clerical and administrative level;
- local revenues are generated for service providers and positive tax revenues generated;
- the underlying economic growth rate may be lifted.

9.3 Sensitivity

The so-called baseline scenario described above was based on conservative assumptions of the number of IFSC businesses registered, although it was assumed that SA demand for particular services (captives, international banking, IBCs) was an important feature from Year 2 (1997) onwards. Will these results hold up to changes in the assumptions, however?

There are at least two other important sets of assumptions to be tested.

- A 'worst case', in which it is envisaged that there is little or no demand from SA businesses, hence IBC registration is significantly reduced, while no captives are registered and only one international bank; essentially, only the fund administration business continues as before.
- A 'best case', in which, due to some catalytic factor, such as the lifting of SA exchange control, business is buoyant with the result that double the baseline number of businesses are registered each year in each category of business.



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The key results of the three scenarios are compared in the table below.

Criterion	Baseline	Best	Worst
(a) Total jobs created	443	858	140
(b1) Direct local revenues	P216m	P416m	P55m
(b2) Direct local taxes	P41m	P90m	P3m
(c) GDP average annual growth rate over 5 years	4.1% (+16%)	4.6% (+30%)	3.7% (+4%)

Hence, even in the worst case, IFSC development has the potential to generate some jobs and local revenues, even though it clearly has little potential to be an engine of economic growth. In the best case, however, direct local revenues are substantial, and the effect on the average GDP growth rate over 5 years is quite marked.



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10. EVALUATION

SUMMARY

- The potential for harmful side effects on the domestic economy may be reduced through ring-fencing the IFSC so as to restrict transactions with residents or in domestic currency.
- Risks from setting up an IFSC include: the possibility of attracting illicit business; without adequate communication and negotiation, regional misunderstanding may result; and the project may fail to attract sufficient business to be viable.
- Limiting factors on the success of an IFSC include: the time taken to install services; the attitude shown towards expatriate work permits; and the slowness of the court and legislative process.

10.1 Possible Side-Effects on Domestic Economy

Apart from the potential benefits to the domestic economy highlighted in the model, there are several possible 'disruptions' which an IFSC may bring to the domestic economy which are not captured in the modelling.

First, the relaxation of exchange control on IFSC business may suggest the risk that the domestic currency will be de-stabilised through large short-term inflows and outflows, which would make it harder to control domestic money supply. Second, the banks which are the largest and most visible institutions in the financial sector may feel threatened by the arrival of international competition.

Money Supply

The fear of disruption to domestic money supply can be addressed through the 'ring-fencing' of IFSC activities; that is, allowing IFSC activities to be transacted only with non-residents and in foreign currencies, other than for certain defined exceptions such as contracts with domestic service providers. Before exchange control abolition, the system of foreign currency accounts operated by banks in Botswana



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would prevent leakage from domestic funds to external funds. A foreign currency account is a current account that a citizen is allowed to operate in a designated non-Pula currency within the provisions of the 1995 relaxation. External accounts would be extended to non-residents conducting non-resident business. Mixing, or the transfer of balances between domestic and external accounts would not be permitted. For non-residents, accounts in all fully convertible currencies may be permitted. Banks may then determine in which currencies they wish to offer services.

If this ring-fencing is achieved, then the only impact on money supply of the IFSC will be through the higher growth rate shown in the model.

In any event, even following exchange control abolition, the Bank of Botswana with its strong reserve position has the power to intervene in foreign exchange markets to sell Pula against reserve currencies, in the events of unexpected Pula strength, and vice versa. The Bank of Botswana will also retain its power, although more affected by other capital markets, to set domestic rates of interest in accordance with its stated main economic policy.

Effects on Existing Botswana Banks

The establishment of an IFSC may cause international banks to set up in Botswana. However, this should not threaten competitive local banks which stand to benefit from the expected increase in the volume of financial activities.

In the case of the Isle of Man, the local subsidiaries of the main British clearing banks experienced a sharp rise in overall business as a result of increased local financial activity. Aggregate profits more than doubled between 1987 and 1994 and staff members rose by 24%, during a period of considerable retrenchment in the UK clearing bank industry.

Hence, existing banks in Botswana are likely to be net beneficiaries of IFSC developments, even with an expected increase in competition. In practice international banks will solicit international rather than local business.

10.2 *Effect on Botswana society*

A number of possible effects, both tangible and intangible, are possible on Botswana society.



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The formation of a successful IFSC in Botswana would mean a growth in the number of expatriate firms and staff located in Botswana. This could distort patterns of local demand for housing and other facilities in short supply by bidding up prices. In addition, particular local skills, such as law and accounting, are likely to be in high demand, resulting in higher prices, and as a result, incomes and a possible re-allocation of the domestic labour force skill profile over time. Although the phased approach suggested for IFSC development may help to alleviate some of these local bottlenecks leading to distortions, the risks are nonetheless real.

However, it is worth noting that the risks are associated with greater flows in the domestic economy (as incomes rise, and therefore tax revenues), and greater domestic wealth (as asset prices rise). These are the usual 'problems' of prosperity arising from a particular sector in small economies. Botswana runs similar risks resulting from a large increase in the price of its natural resource exports, for example.

Perhaps more important is that the growth of IFSC activities will speed the facilitation of Botswana into the global economy, through greater information transfer. The spread of computer technology at all levels of society is likely to increase. This greater integration is also likely to expose Botswana to a fiercely competitive international market sector, which is very different from traditional sectors of the economy, such as diamonds, which have been protected from the full force of international competition. Over time, this will both require and cause a change in the outlook of the workforce, which will have to maintain its international competitiveness.

10.3 Risks

In addition to considering costs and benefits, it is important to identify the risks, both perceived and actual, which would accompany the move to set up an IFSC.

Risk of the IFSC being used for illicit purposes

This risk is present in the establishment of any international financial services centre which seeks to attract cross-border business. The risk of being used, or being perceived to be used as a centre for money laundering, is that legitimate businesses may withdraw to avoid being tainted with the same label; and international regulators will discourage operators under their jurisdiction from making any use of that centre.



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This risk can, however, be managed through the introduction of anti-money laundering legislation, as discussed in Section 6.4 above. This would bring Botswana into line with international norms on the subject. However, in addition to having the legislation on the books, adequate supervisory capacity must be in place to enforce the legislation.

Risk of South African or other regional authorities regarding a Botswana IFSC as a threat

If SA foreign exchange or tax authorities were to regard the development of an IFSC in Botswana as a threat, they could severely limit its chances of success by blocking their citizens or businesses from operating from there. This would severely limit the potential for success of a Botswana IFSC.

This risk could be managed by carefully briefing of SA and other authorities about the genuine services to be offered by a Botswana IFSC, and their benefits to the region, as discussed in Section 3. In particular, fears expressed by regional authorities would have to be taken seriously. If necessary, protocols could be reached to ensure effective oversight of cross-border business.

However, as the modelling of the 'worst case' showed, even without assuming demand from South Africa, the IFSC would be viable based on modest assumptions of demand in particular niches (CIUs and IBCs). Hence, while this risk is a real one, it does not outweigh possible benefits.

Risk of losing tax revenue

The project team frequently encountered the view that the Botswana fiscus would necessarily run the risk of losing tax revenue in order to attract international businesses.

However, the team believes that this risk is more perceived than real. While it was made clear in 6.2 above, that certain tax benefits would have to be offered for transactions which are genuinely offshore, it should also be clear that this is not a loss of present revenue since the fiscus is not presently able to tax those revenues anyway, since they do not pass through Botswana. On the contrary, the local operations of



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IFSC businesses located in Botswana would be subject to Botswana tax, as would the salaries of staff employed by these businesses. Hence, if the IFSC is successful in attracting businesses, the tax effect is likely to be positive. The risk of a loss in tax revenue is therefore negligible.

Risk of failure

In this context, failure may be taken to imply that the main criteria for success (see 1.3) are not met. It is certainly possible that, despite innovative legislation and good infrastructure, Botswana would fail to attract the business activities in the volumes which would make the IFSC work. However, potential loss from this outcome is low, particularly to the state, since the establishment of the IFSC requires relatively little public investment (largely in regulatory capacity and legislation).

Hence, the team believes that IFSC development is one relatively low (financial) risk approach to development of the economy, which should be complemented by other initiatives to diversify the economic base of Botswana.

10.3 Limiting Features

In the course of its research, the team identified a number of factors which would limit the potential for a successful IFSC in Botswana. These are listed here, so that they can be addressed:

- the time delay in installing utilities, such as telephones, may be a major constraint on international business start-ups; indeed, the delays may be more significant limiting factors than the relatively high cost of these services;
- the slow speed of the judicial process raises concerns about the ability to obtain legal certainty in a timely fashion in disputes;
- the negative attitude towards the granting of expatriate work permits may constrain the importation of the necessary skills in order to start and develop the IFSC, even if the long run criterion, as stated in section 1.3, is the creation of work for citizens;
- a negative attitude on the part of the SA Government, in particular from the Ministry of Finance, would also constrain the ability of SA players to participate in Botswana.

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11. ACTION PLAN

SUMMARY

The team proposes a three phased approach to IFSC development.

- The first phase, which may start immediately, should focus on preparation for the two highest priority areas of business, namely fund administration and international business companies. Detailed action steps are proposed which the team believes are feasible. At the end of this phase, the IFSC would be open for business.
- During the subsequent two phases, further pieces of legislation would be drafted and passed to broaden the scope of business, at the same time as intensive marketing and the building of appropriate supervisory capacity.

This report has identified two potential areas of business as having the most potential:

- fund administration business, following passage of Collective Investment Act;
- IBC administration and services, following passage of appropriate international company legislation.

Efforts to develop these areas of an IFSC must therefore receive the most priority. The IBC legislation will serve as a building block in the later development of other activities. The report has also emphasised the need for adequate regulatory and supervisory capacity, and for adherence to best international standards on anti-money laundering, if Botswana is to position itself as a quality jurisdiction from the outset.

The other areas of business described in the report, trust administration, captive insurance administration and international banking, may follow later, after the design and implementation of a suitable legislative environment.

Because of the view taken by the team about the need for a phased approach in Botswana, as discussed in 4.1 above, a three phase, three year programme of development is proposed.



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PHASE 1:

This preliminary phase would last for six to nine months following the tabling of this report (i.e. to March 1996). During this time, an official decision may be made on the recommendations, and IBC legislation may be drafted. The Collective Investment Act should be passed by the end of the period, although this is not a precondition for progress in this area. The diagram below proposed parallel action in the two priority areas of business.

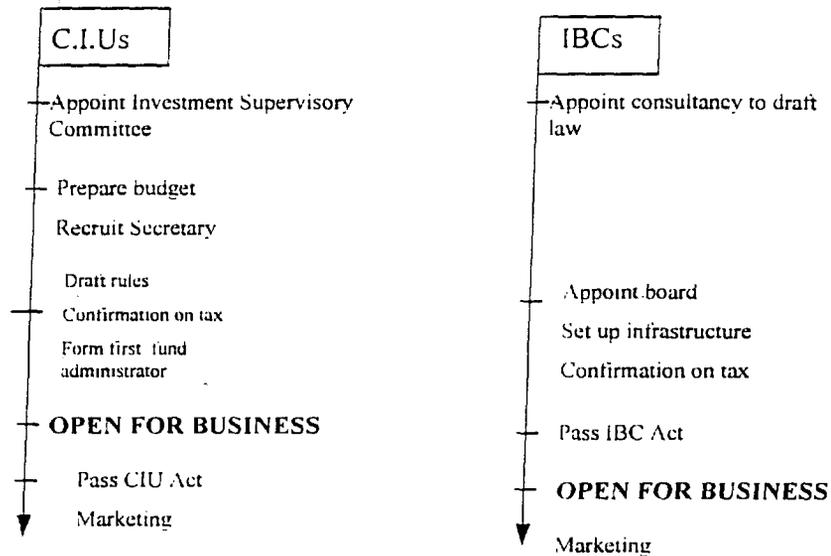
For CIUs, the first action would be the appointment of an Investment Supervisory Committee by the Minister of Finance and Development Planning, as envisaged in the Act. This Committee could then recruit a suitable individual as Secretary. This person, for whom a job description is given in Appendix D, would have suitable experience in the regulation and development of IFSC jurisdictions. The Secretary would recruit a small staff to compliment serve as the full-time supervisory capacity of the Committee. The Secretary may also serve as the adviser to the Minister and Registrar of CIUs on the legislative and enabling environment for IFSC development. The Secretary's staff may also provide the nucleus of the IBC Board's registration capacity. The operating expenses of the committee should eventually be paid for including salaries out of licence fees. However, salaries and other costs in an approved budget should at first be guaranteed by the Ministry

During this phase, appropriate anti money laundering legislation should be drafted in line with international standards (see 6.5). The Bank of Botswana may be the most appropriate agency to co-ordinate the drafting process.

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PHASE 1:

Timing of immediate steps



At the end of this phase, the following elements of an IFSC could be in place:

- a Collective Investment Act
- an IBC Act
- anti-money laundering legislation
- an operational Investment Supervisory Committee, run by an expert secretary.

These elements would be pre-requisites for the successful launch of the IFSC in 1996.

PHASE 2:

Following the preliminary phase, Phase 2 (1996) would consist of concerted efforts to market Botswana in the two priority areas so as to establish the core of an IFSC, and in particular, the service providers necessary.



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In addition, during this phase, consultants may be appointed to research and draft further pieces of legislation and/or in areas such as trusts and captive insurance.

PHASE 3:

Following the establishment of a core of IFSC activities, further expansion of the services offered would take place in Phase 3 (1997) in order to address all potential niches identified in the previous phase.

In this phase, following the broadening of the scope of activities and growth in number of participants, the question of a long run regulatory structure would have to receive serious attention. This structure may take the form of the umbrella structure as proposed in 6.4, although the issue would require further detailed consideration.

At the end of this phase, if the recommendations were followed, Botswana could be a fully-fledged IFSC offering specialised services across a selected range of areas.

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12. CONCLUSION

This report has analysed the services offered by IFSCs and has surveyed in some detail the characteristics of IFSCs around the world.

Based on the research performed, the project team believes that the establishment of an IFSC is feasible in Botswana. This finding is premised on the ability of Botswana to offer a quality international financial services jurisdiction with innovative legislation for which there is a demand, particularly within the region. Botswana has a number of inherent advantages over potential and actual regional competitors, which may enable it to successfully develop a regional, and possibly international niche.

In addition to being feasible, simple financial modelling of the onshore effects of IFSC businesses indicates that the IFSC would be viable too, meeting the major criteria set of creating new jobs, generating domestic revenues (including tax revenues) and raising the growth rate in the economy.

There is no doubt that a major catalyst for the development of a Botswana IFSC would be exchange control relaxation in South Africa, and ultimately greater regional integration within Southern Africa. However, the financial modelling shows that, while the size of a potential IFSC may be limited by a failure of this catalyst to emerge, a Botswana IFSC would still be viable without any demand from South Africa.

The report has also demonstrated that the downside risks are relatively limited. The establishment of the IFSC would require a limited financial commitment from government, namely to underwrite that part of the cost of the regulators which cannot be covered from licence fees. Even under a worst case scenario, however, tax revenues generated by new jobs and businesses would more than cover any potential state outlay. Private businesses set up to service IFSC activities would bear most of the risk of failure, while enjoying substantial fruits of success. Hence, establishing an IFSC in Botswana offers a low risk opportunity for an economy in search of new engines of growth to develop a new sector which is growing rapidly world-wide.

Therefore, the project team is of the firm opinion that Botswana has little to lose and much to gain from setting up an IFSC. The report proposes a concrete short term action plan of attainable steps in this



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direction, which build on previous initiatives and which may realistically be achieved within the next nine months. Within nine months, a Botswana International Financial Services Centre may be open for business!

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APPENDIX A : REVIEW OF INTERNATIONAL FINANCIAL SERVICES CENTRE'S

BERMUDA

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	The entire island is a FSC however business is predominantly in Hamilton. Captive Insurance and Speciality Insurance and Reinsurance.
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	Bermuda initially developed as an IFSC during the late 1950s, predominantly based on trust and investment business from UK residents and expatriates. During the 1970s, Bermuda established as the prime centre for predominantly US based MNCs and INCs setting up captive insurance companies. During the 1990s, significant world-wide excess liability and property catastrophe capacity has established in Bermuda. Important legislation: Companies Act 1981, Banks Act 1969, Exempt Undertakings Tax Protection Act 1966, Insurance Act 1978 and related regulations, Trust Companies Act 1991.
3.	Data about of jurisdiction: 3.1 Total population 3.2 No. of people directly employed in intl	60 000 with a total work force of 34 000. There are 8 000 international companies registered in Bermuda directly

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	financial services	employing 2 100 people (1 500 by risk takers, brokers and managers, and 600 by other international activities). A further 3 000 are employed in financial services.
	3.2.1 No. of expatriates	1 200
	3.3 No. of: banks	3 (Employing 2 000) 1 300 Captive Insurance companies. 50 Speciality Insurance 40 Insurance Management 15 Investment Management Firms 50 Other Management Firms
	3.3 Professionals: law & audit firms	14 law firms and 15 public accounting firms
	3.4 GDP (US\$) GDP per capita (US\$)	\$ 1 840 m \$ 21 600
	3.5 Contribution of financial services to GDP (%)	37%
4.	Tax regime:	
	4.1 General company & personal tax rates	No direct taxation on profits, income or capital gains. Employers payroll tax 7%
	4.2 Special incentives for FSC activities?	Exemptions from taxes on profits and capital gains until 2016.
	4.3 Tax treaties- with which countries	No double taxation agreements have been signed.

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<p>5.</p>	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>Insurance companies, banks and trust companies are regulated by the Registrar of Companies. The formation of companies is facilitated by Bermuda Monetary Authority and the Registrar of Companies.</p> <p>The Registrar of Companies currently comprises 22 officers and administrators. The current and predecessor Registrars have both been Chartered Accountants with experience in public accounting and the insurance industry. The department is advised by a number of industry specific committees whose members serve without compensation. Their role is to direct, control and manage specific regulations relating to business, and particularly to provide investigative services and to regulate the insurance industry.</p> <p>The Bermuda Monetary Authority is a quango comprising 29 officers and administrators, with particular experience in the banking sector. Their role is the supervision, regulation and inspection of licensed banks, deposit companies, trust companies, collective investment schemes and the Bermuda Stock Exchange. They also vet applications to form exempted companies.</p> <p>Registrar of Companies US\$ 2 m pa, Bermuda Monetary Authority US\$ 2m pa.</p> <p>International convention on money laundering established as regulations.</p>
<p>6.</p>	<p>6.1 Specific advantages offered by the FSC</p>	<ul style="list-style-type: none"> • Insurance and reinsurance market • Sophisticated infrastructure • Excellent Communications

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	<p>6.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<ul style="list-style-type: none"> • Business handled efficiently • Responsive public sector • Quality professional services • Political stability • Located near demand • Fair regulations <p>USA, UK, other EC, Hong Kong.</p>
<p>7.</p>	<p>7.1 Communications: time to install a phone line</p> <p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction</p>	<p>Communications costs are presently high, with competition stepping up from overseas providers. Time to install a telephone is approximately 1 month.</p> <p>Access from US Eastern Seaboard cities, Toronto, London daily, transportation costs are high.</p> <p>See attached.</p>
<p>8.</p>	<p>Benefits of having the FSC:</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p> <p>8.3 Others:</p>	<ul style="list-style-type: none"> • Total foreign currency earnings from international business grew from US\$ 390 m in 1988 to US\$ 485 m in 1993. • Direct employment for Bermudans has increased by 1 000 in 12 years. • Presently unsatisfied demand for premium office space. • International business has overtaken tourism as leading foreign currency earner.

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9.	<p>Are there any plans to develop/ extend the IFSC? Any new legislation pending?</p> <p>If so, please describe</p>	<p>Legislation proposed to make Bermuda an arbitration centre.</p>
10.	<p>Any other relevant lessons from the jurisdiction?</p>	<ul style="list-style-type: none"> • US\$ 4 billion in capital was raised by eight new property catastrophe reinsurers since 1993. • Bermuda established new regulatory rules in 1995 for highly capitalised writers. • Extensive review by service providers of Bermuda's competitiveness. • Bermuda gains significant share of new captive formations

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BRITISH VIRGIN ISLANDS (BVI)

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisations?	The BVI is a nation-wide FSC, specialising in company formation. In addition the BVI provides a framework for offshore banking, mutual funds and captive insurance.
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	The BVI FSC was established in 1967 by the BVI authorities in collaboration with the private sector. A blend of local labour and foreign expertise provided a thriving industry which complemented the development of tourism in what is a UK dependent territory. The catalyst for growth occurred in 1987 when Panama, under Noreiga, lost favour when the international community and BVI companies began to be used extensively thereafter
3.	Data about of jurisdiction: 3.1 Total population 3.2 No. of people directly employed in intl financial services 3.2.1 No. of expatriates	18 000 2 000 Unknown

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	<p>3.3 No. of: banks funds trust cos. insurance cos. offshore companies (IBC's)</p> <p>3.3 Professionals: law & audit firms</p> <p>3.4 GDP (US\$) GDP per capita (US\$)</p> <p>3.5 Contribution of financial services to GDP (%)</p>	<p>6 Not known 30 50 150 000</p> <p>10 Law firms and 6 Audit firms</p> <p>US\$ 200 m (1994) US\$ 11 111 (1994)</p> <p>20%</p>
<p>4.</p>	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Local companies are taxed at 15%, personal income tax is 20% at the top band, over US\$ 25 000.</p> <p>IBC's are specifically exempt from all forms of taxation.</p> <p>The BVI has two active tax treaties with Japan and Switzerland.</p>
<p>5.</p>	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p>	<p>All financial institutions are regulated by the Financial Services Department.</p>

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	<p>5.2 Structure of authority (no. of people/skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>Registrar of companies (mainly clerical) 40</p> <p>Financial Services Department (principally bankers, insurance experts and analysts) 5</p> <p>Providing over 30% of total government revenue 45</p> <p>US\$ 45m company fees.</p> <p>BVI participates in the Caribbean Financial Action Task Force (CFATF) and has adopted a Mutual Legal Assistance Treaty (MLAT) with the USA, which facilitates the exchange of information on narcotics related and other crimes.</p>
o.	<p>o.1 Specific advantages offered by the FSC</p> <p>o.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<ul style="list-style-type: none"> • US\$ currency • competitive fees • flexible and accommodating product • security of assets • legal system based on English common law • excellent communications infrastructure • politically, financially and administratively stable • no currency restrictions/exchange controls • small size helps individualised service and speed <ul style="list-style-type: none"> • South America • Europe • Far East
7.	7.1 Communications: time to install a phone line	Modern fax E-mail and phone links to the rest of the world, it takes approximately 1 week to have a phone installed.

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	<p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction</p>	<p>15 to 20 flights to San Juan each day. Regular flights to USA.</p> <p>See attached.</p>
<p>8.</p>	<p>Benefits of having the FSC:</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p> <p>8.3 Others:</p>	<p>Over the past twenty years the BVI has moved towards full employment and now has to import both skilled and unskilled labour to meet its needs.</p> <p>Government revenue from financial services has increased from US\$ 6m in 1991 to over US\$ 45m in 1994.</p> <p>The FSC contributes over 20% of Gross Domestic Product (GDP)</p>
<p>9.</p>	<p>Are there any plans to develop/ extend the FSC? Any new legislation pending?</p> <p>If so, please describe</p>	<ul style="list-style-type: none"> • Introduction of Insurance Company Law and Regulations 1994. • Introduction of Mutual Funds Law 1995.
<p>10.</p>	<p>Any other relevant lessons from the jurisdiction?</p>	<p>The BVI's success has hinged on its focused approach to company formation and its ability to "copy" other jurisdictions where the need arises.</p>

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CAYMAN ISLANDS

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisations?	The Cayman Islands are a nation-wide FSC, specialising in banking, mutual funds, insurance and investment entities.
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	The Cayman Islands FSC was established in the 1960's after Jamaica had achieved independence and Caymanians chose to remain under British Crown. During the previous decade the infrastructure had been laid in terms of the airport, new hotels, 24 hour electricity and the virtual eradication of the mosquito. Americans began to come to the Cayman Islands in significant numbers attracted by the climate, the possibility of acquiring real estate and eventually the opportunity to access a nearby tax haven.
3.	Data about of jurisdiction: 3.1 Total population 3.2 No. of people directly employed in intl financial services 3.2.1 No. of expatriates	31 000 as at 31 December 1993. Of a total workforce of 16 815 as at December 1993, 3 780 (22.5%) were engaged in the financial sector. Unknown

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	<p>3.3 No. of: banks</p> <p>trust cos.</p> <p>insurance companies</p> <p>mutual funds</p> <p>3.3 Professionals: law & audit firms</p> <p>3.4 GDP (US\$)</p> <p>GDP per capita (US\$)</p> <p>3.5 Contribution of financial services to GDP (%)</p>	<p>Category "A" Banks 31</p> <p>Category "B" Banks 266</p> <p>Category "B" Banks and trust companies 196</p> <p>Trust Companies 44</p> <p>With premiums of US\$ 1.2 billion and gross assets of US\$ 52 billion - 352.</p> <p>Registered 750</p> <p>Un registered a further 750</p> <p>15 international law firms with over 120 practising attorneys and 6 international accounting firms with 300 qualified accountants work in the Cayman Islands.</p> <p>US\$ 800 m (1994)</p> <p>US\$ 25 806 (1994)</p> <p>34%</p>
<p>4.</p>	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p>	<p>The Cayman Islands are a no tax jurisdiction with no income, capital gains or corporate tax of any kind.</p> <p>Companies, trusts and partnerships can be granted exemption against taxation for up to 50 years.</p>

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	4.3 Tax treaties- with which countries (present & planned)	There are no tax treaties with any other countries.
5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>All financial institutions are regulated by the Inspector of Financial Services, which requires banks and insurance companies to file their business plans and registered mutual funds to file their offering circulars. Audited financial statements for all regulated entities have to be submitted within six months of the year end. In addition, minimum capital ratios for banks and premium ratios for insurance companies are required to be maintained.</p> <p>Registrar of Companies (mainly clerical) 15 Inspector of financial services (principally bankers, insurance experts and analysts) 21 Providing 20% of government revenue 36</p> <p>US\$ 7.6 m from banks and trusts licences US\$ 7.6 m from other licences US\$ 13.6 m company fees</p> <p>The Cayman Islands have adopted a Mutual Legal Assistance Treaty with the United States to facilitate exchange of information on narcotics related and other crimes.</p>
6.	6.1 Specific advantages offered by the FSC	<ul style="list-style-type: none"> • confidentiality • no tax • innovative investment vehicles • close working relationships between sector and regulators

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	6.2 List major jurisdictions from which FSC business is sourced in order of priority	<ul style="list-style-type: none"> • modern communications systems • substantial professional infrastructure • USA • South America • Europe • Far East
7.	7.1 Communications: time to install a phone line 7.2 Ease of access: air connections 7.3 Please complete the attached budge	<p>Modern fax, E-mail and phone links to the rest of the world.</p> <p>One week to have a phone installed</p> <p>5 flights from Miami each day as well as regular flights to the USA</p> <p>See attached</p>
8.	Benefits of having the FSC: 8.1 Employment change 8.2 Revenue generation	<p>Grown from 12% of population working force in FSC in 1979 to 22.5% in 1993.</p> <p>Money supply has increased from US\$ 18m in 1980 to US\$ 74 m in 1993. Government revenue has increased from US\$ 18m in 1989 to US\$ 29 m in 1993</p>
9.	Are there any plans to develop/ extend the FSC? Any new legislation pending?	<ul style="list-style-type: none"> • Introduction of Limited Liability companies, 1993. • Introduction of Mutual Funds Law, 1993 • Widespread use of Cayman vehicles for structured financial transactions, 1994.
10.	Any other relevant lessons from the jurisdiction?	The key to Cayman's success has been its ability to draft and pass innovative legislation within a short timeframe in response to the needs of the international community.

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DUBLIN

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisations?	Situated in Custom House Dock Area. This area consists of over 1 million sqft. of newly developed accommodation on an existing derelict site. Asset financing, lending, treasury management, fund management, insurance services including direct writing, reinsurance and captive management.
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	1987 - Financial Services Centre established. Special 10% tax status and designation of the area for urban renewal with tax breaks given to developers, tenants, landlords and owner-occupiers. Employment generation and the rejuvenation of the docklands area.
3.	Data about of jurisdiction: 3.1 Total population 3.2 No. of people directly employed in intl financial services 3.2.1 No. of expatriates	3.5 million 2 500 Estimated at 10% i.e. 250.

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	<p>3.3 No. of: funds captives life assurers insurance companies reinsurance companies</p> <p>3.3 Professionals: law & audit firms</p> <p>3.4 GDP (US\$) GDP per capita (US\$)</p> <p>3.5 Contribution of financial services to GDP (%)</p>	<p>25 third party fund managers, managing 177 funds. 20 captive insurance managers, managing 117 captives. 10 life assurance companies. 6 general insurance companies. 20 reinsurance companies.</p> <p>All international accounting firms represented, as well as international associates of legal firms.</p> <p>US\$ 49 792m US\$ 14 226</p> <p>Not known for IFSC, but with approximately US\$ 320 m in taxes in the IFSC at a rate of 10% the income generated is approximately US\$ 3 200 m or about 6% of GDP.</p>
<p>4.</p>	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Corporate tax rate is 38%, personal tax rate is between 27% to 48%.</p> <p>10% rate of tax for licensed financial services activities, zero tax on authorised funds. No property taxes for 10 years. 100% tax write off for expenditure on real estate development and plant and equipment used in the business. Double rent deduction for tax purposes.</p> <p>26 treaties in force. 9 treaties presently being revised. 7 treaties being negotiated at present.</p>

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5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>Industrial Development Authority (IDA) is responsible for marketing of the centre and initial vetting of applications.</p> <p>Certification Advisory Committee (CAC) formally recommended project for approval to Minister of Finance. The CAC is made up of senior representations from relevant government departments including the Department of Finance, Enterprise and Employment, the IDA and Central Bank</p> <p>Not known state bodies act as regulators.</p> <p>Yes</p>
6.	<p>6.1 Specific advantages offered by the FSC</p> <p>6.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<p>Tax advantages as outlined above. Non tax advantages include a ready supply of highly educated English speaking graduates with excellent technological and commercial skills. Access to the EU market, as well as a developed banking system and state of the art digital telecommunications systems.</p> <p>Europe, Scandinavia, Japan.</p>
7.	<p>7.1 Communications: time to install a phone line</p> <p>7.2 Ease of access: air connections</p>	<p>Ireland's telecommunication's system is state run. Telephone lines for business can be installed immediately.</p> <p>Daily air connections to most major European cities. Daily flights to New York and Boston. Where no direct flight to Ireland is available, a connecting flight may be made through London which has several hourly flights to Dublin.</p>

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	7.3 Please complete the attached budget.	See attached
8.	Benefits of having the FSC: 8.1 Employment change 8.2 Revenue generation 8.3 Other	<p>Recognition and acceptance of Ireland as an International Financial Services Centre. The development of expertise in new areas of financial services in particular in the area of fund management, the creation of high quality jobs.</p> <p>Significant, the total tax earned from IFSC operations is approximately 20% of the total corporation tax yield.</p> <p>Development of new skill base in financial services. Rejuvenation of docklands area including the development of state of the art office facilities mixed with residential development.</p>
9.	Are there any plans to develop/ extend the FSC? Any new legislation pending?	<p>The Dublin IFSC has been developed and expanded since its inception in 1987. In 1989 comprehensive fund management legislation was introduced which resulted in the rapid development of a fund management industry.</p> <p>Recently a new branch tax exemption has been enacted which will allow IFSC companies to develop branch networks abroad, the profits from which will be exempt from tax in Ireland. The relief is linked to substantial employment being generated by the operation</p>
10.	Any other relevant lessons from the jurisdiction?	Marketing very important and the need for a flexible approach by the authorities to discuss new issues and events as they arise. Timely response by authorities is vital.

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GIBRALTAR

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisations?	<p>Gibraltar's business as an offshore finance centre originated in the main from the United Kingdom as a result of its close traditional ties with it. As Gibraltar law is based on UK common and statute law the familiarity of the laws and systems has helped in attracting business from the UK. The original vehicles used were the Gibraltar non resident owned and controlled companies and Gibraltar trusts.</p> <p>The development of Spain and Portugal as a holiday resort created further markets for Gibraltar as most purchasers of holiday homes in these countries used Gibraltar companies to purchase their properties and thereby avoid potential capital gains tax and death duties. This service extended to the provision of offshore banking services to the beneficial owners of these property owning companies.</p>
2.	History: 2.1 Brief history- when started, dates of major acts, etc.	<p>The original vehicles that initiated Gibraltar's growth as a finance centre were the Gibraltar non-resident owned and controlled company and Gibraltar trusts. Both these vehicles stem from the United Kingdom Companies Acts and trust law going back to the earlier part of this century or even further back.</p> <p>The introduction of the exempt company legislation in 1983 (The Companies (Taxation and Concessions) Ordinance, 1983) broadened the appeal of Gibraltar companies in an offshore context with the introduction of the Gibraltar Tax</p>

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	<p>Exempt Company. In return for a fixed annual fee, and so long as certain conditions were satisfied, the company would be granted a tax exemption certificate exempting it from all taxes in Gibraltar. In addition directors fees, consultancy fees and dividends paid to non residents would not be subject to Gibraltar taxes. A main feature of the legislation was that it allowed Exempt Companies to be managed from Gibraltar.</p> <p>The income tax (Qualifying Companies) Rules 1984 extended these principles except that the company's obtaining a qualifying certificate would be liable to taxation at a rate prescribed on application of between 2 and 35% (usually 5%), as opposed to being charged a fixed annual fee as is the case with exempt companies. This served to satisfy requirements in certain jurisdictions that required a foreign subsidiary undertakings to suffer tax at certain minimum rates if the foreign subsidiary's profits were to avoid being taxed in the holding company's jurisdiction.</p> <p>In February 1992, Gibraltar introduced new low tax limits for high net worth individuals in order to encourage such individuals to become resident in Gibraltar. Subject to certain conditions being met a HNWI is liable to a maximum tax charge of US\$ 32 000.</p> <p>1992 also saw the introduction of the Rates of Tax (Relocated Executive Possessing Specialist Skills) Rules, 1992 which fixed the tax payable by relocated executives who come to work in Gibraltar's finance centre to US\$ 16 000 per annum.</p>
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	2.2 Motivation for establishing the centre e.g. employment generation?	Gibraltar's Financial Services Centre has always been considered a key sector of the local economy for the generation of employment, income for the Government and the beneficial spin-offs this has for the rest of the economy. As a place of only 5 square kilometres and no natural resources, the offshore finance business was identified some time back as a viable industry for Gibraltar to develop given limitations in size and natural resources.																																					
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4.	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>General company tax rate is 35%. Personal tax rate is from 20-50%.</p> <ul style="list-style-type: none"> • Reduced tax rates for high net worth individuals. • Reduced tax rates for relocated executives. • Tax exemption certificates for qualifying companies. <p>No tax treaties signed or planned.</p>
5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p>	<p>The authority regulating financial services in Gibraltar is the Gibraltar Financial Services Commission. The Commission consists of 8 members including the Financial Services Commissioner (as chairman) and seven other members appointed by the Governor in consultation with Foreign & Commonwealth Office of the United Kingdom Government.</p> <p>Other statutory appointments include The Commissioner of Banking (who's role is presently carried out by the Financial Services Commissioner) assisted by the Banking Supervisor; and The Commissioner of Insurance assisted by an Insurance Supervisor. The Commission then has a compliment of 8 staff to assist it in performing its functions.</p> <p>The principal function of the Commission is to licence and monitor all controlled activities classified as follows:-</p> <ul style="list-style-type: none"> • Investment dealer • Investment broker

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	<p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<ul style="list-style-type: none"> • Life assurance and collective investment intermediary • Investment manager • Investment adviser • Collective investment scheme operator • Collective investment scheme trustee • Insurance broker • Professional trustee • Company manager. <p>Supervision of banking and insurance fall under the auspices of the Commissioners of banking and insurance respectively.</p> <p>The Financial Services Commission is self financing being funded by licence fees paid by entities engaged in controlled activities.</p> <p>European Union directive requirements on the subject of money laundering have been implemented through the Drug trafficking (Money Laundering) Regulations, 1994. More recently legislation similar to the UK's Criminal Justice Act and which is presently in bill form extends money laundering offences to "all crimes".</p>
<p>a.</p>	<p>a.1 Specific advantages offered by the FSC</p>	<ul style="list-style-type: none"> • Gibraltar law is based on UK common and statute law and therefore familiar to international financial services companies. • English is the official language and all professionals are UK qualified. • Cost effective jurisdiction compared to other IFSC's. • Gibraltar is independent of the UK as far as the setting of tax rates and incentives for FSC business.



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	<p>6.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<ul style="list-style-type: none"> • Gibraltar is a well regulated FSC such regulation being overseen by the UK. • As a member of the EU, financial service companies based in Gibraltar will be able to passport from Gibraltar to other member states with the minimum of registration formalities. • Excellent communications. • Gibraltar and the hinterland of Spain benefit from good weather and a generally pleasant environment in which to live. <p>Portugal, United Kingdom and Spain although the natural market is seen as the EU.</p>
<p>7.</p>	<p>7.1 Communications: time to install a phone line</p> <p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget</p>	<p>Modern fibre-optic telecommunication system installed in 1990 providing excellent service to the FSC. Prior to this the old system proved a hindrance to the expansion of the FSC given insufficient international lines. The average time to install a phone is two days.</p> <p>On average there are at least two flights daily covering the Gibraltar/London route. Direct flights to the other European capitals can be taken from Malaga airport (one and a half hours drive from Gibraltar).</p> <p>See attached</p>
<p>8.</p>	<p>Benefits of having the FSC: 8.1 Employment change</p>	<p>The FSC accounts for an increasing number of persons employed in Gibraltar as the local economy shifts its emphasis away from UK military of Defence spending which is rapidly contracting towards an expanding private sector. Other beneficial spin-offs are the demand generated by expatriates seconded to</p>

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	8.2 Revenue generation	<p>Gibraltar for property, leisure pursuits. The FSC generates revenue for the Government through the creation of jobs and the income tax arising from employees wages.</p> <p>Local staff are trained to a higher degree of expertise eventually taking posts originally occupied by seconded expatriates.</p>
9.	Are there any plans to develop/ extend the FSC? Any new legislation pending?	<p>Present plans are to develop Gibraltar as a finance centre within the EU. Approval from EU to, (legislation permitting) cross border selling of UCITS and insurance services is awaited, good opportunities for the expansion of business in these areas is envisaged.</p>
10.	Any other relevant lessons from the jurisdiction?	<p>A good reputation is paramount for the success of any FSC and for attracting quality business. The following factors have an impact on reputation:-</p> <ul style="list-style-type: none"> • Internal political stability. • Stability as regards relations with other countries in particular with immediate neighbours. • Effective but flexible FSC regulatory system. • Depositor protection scheme. • Any history of financial scandals or impropriety carried out within the FSC.

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GUERNSEY, CHANNEL ISLANDS

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	The FSC covers the whole Island of Guernsey Major specialisation's are Private Banking, Investment Management, Fund, Company and Trust Administration, Custodian Services, Captive Insurance Management, Offshore Life and Pensions
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	Guernsey developed as a low tax offshore centre during the 1960's and 1970's following an unfavourable tax environment in the UK. Income Tax for companies and individuals has remained at 20% over this time with no capital gains tax nor capital transfer tax. The Island has in recent years become less dependent on the UK and has seen considerable growth from Europe (particularly Switzerland) and the rest of the world (particularly South Africa) Major pieces of legislation include: <ul style="list-style-type: none"> • Companies Guernsey Law 1994 (consolidating Laws from 1908 to 1990) • The Banking Supervision (Bailiwick of Guernsey) Law, 1994. • Trusts (Guernsey) law, 1989. • The Protection of Investors (Bailiwick of Guernsey) Law 1987. • Insurance Business (Guernsey) Law 1986. The finance industry has developed as other industries such as tourism and agriculture have declined.

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3.	Data about of jurisdiction:		
	3.1 Total population	(1991) 58 867	
	3.2 No. of people directly employed in intl financial services	(1991) 4 743	
	3.2.1 No. of expatriates	(licence holders and open market occupants) (1995) 5 247	
	3.3 No. of: banks funds Trust cos. 3.3 Professionals: audit firms law firms	54 (75 separate registrations. Some are for entities in the same group)	
		Open ended: Listed 39 Unlisted 155 194	1992 33 125 158
		Closed ended: Listed 33 Unlisted 53	31 47
		Total	78
		280	236
		61 (estimated)	
		25 (including 5 of top 6 world wide)	
		11	

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	<p>3.4 GDP (US\$) GDP per capita (US\$)</p> <p>3.5 Contribution of financial services to GDP (%)</p>	<table border="1"> <thead> <tr> <th>1993</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>1 430 m</td> <td>1 398 m</td> </tr> <tr> <td>15 067</td> <td>14 728</td> </tr> </tbody> </table> <p>US\$ 400 m i.e. 28%</p>	1993	1992	1 430 m	1 398 m	15 067	14 728
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<p>4.</p>	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Company and personal tax rates are set at 20%. There are only two direct taxes levied on individuals; Income Tax and Dwellings Profit Tax. Recently favourable tax incentives have been introduced for investment companies investing in non-Guernsey assets, Captive Insurance Companies and International Companies and for interest paid to non-residents on bank deposits.</p> <ul style="list-style-type: none"> • Tax exemption for investment companies investing in foreign assets. • Variable rate of tax (0-30%) for International Companies (foreign shareholders) • Variable rate of tax (0-30%) for Captive Insurance Companies. • Non-taxed deposit interest for non-resident depositors. <p>Where foreign income becomes subject to Guernsey Income Tax, the taxpayer is granted some relief for foreign tax suffered on the same income.</p> <p>Guernsey has entered into two double tax treaties, those with Jersey and the United Kingdom, and special rules apply to income from those two territories according to the specific terms of each treaty. Relief is given under these treaties by total exemption or tax credit.</p>						

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		<p>If no bilateral agreement exists, relief is available to Guernsey resident tax payers of the lessor of the other territory's effective rate or 75% of the Guernsey effective rate.</p>
<p>5.</p>	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/skills)</p>	<p>Guernsey Financial Services Commission (GFSC).</p> <p>Regulation is broken down into the following headings, which follow the legal framework:</p> <ul style="list-style-type: none"> • Banks • Investment Business • Insurance <p>Trust operations are not regulated.</p> <p>The main and most abiding point of policy in the Commission's approach for new entrants, whether in banking, fund promotion or insurance to be established, substantial institutions with a demonstrated track record in the successful provision of the same financial service proposed to be supplied from the Bailiwick.</p> <p>All institutions registered under the Ordinance continued to be supervised by the commission in accordance with the framework for measuring the capital adequacy of banks set out in the paper produced by the Basle Committee on banking Supervision "International Convergence of Capital Measurements and Capital Standards".</p>

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	<p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>The GFSC has a staff of approximately 25 and is funded by fees from financial institutions and by a grant for promotional activities. Income and costs are approximately US\$ 1.6 m.</p> <p>In July 1991, the Commission published "Money Laundering Avoidance: Guidance Notes" based on similar notes drawn up by the British Bankers Association, the Building Societies Association and the law enforcement agencies in the UK. These were widely circulated to financial institutions in Guernsey for their information and guidance. Since then, the UK authorities have produced three new publications on the same subject covering not only the field of banking but all retail and wholesale financial services. These reflect the passing of the UK Criminal Justice Act 1993, which extends the scope of anti money laundering legislation from drug proceeds to the proceeds of all crime. The Commission is working to produce an equivalent document for use in the Bailiwick.</p>
<p>6.</p>	<p>6.1 Specific advantages offered by the FSC</p>	<p>Guernsey is in the front rank of international finance centres offering security, professionalism and discretion. It is a mature and naturally-developed IFC with an impressive infrastructure.</p> <p>Guernsey is open for new business (as long as that business is respectable) Guernsey is safe because it is well regulated. The setting up of the Financial Services Commission in 1988 is hard evidence of the determination of the Guernsey authorities to be seen as an IFC of high reputation.</p>

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	6.2 List major jurisdictions from which FSC business is sourced in order of priority	Business is primarily from the UK (first but declining), Europe (second and growing fast - particularly Switzerland) and the rest of the world (third - particularly South Africa)
7.	7.1 Communications: time to install a phone line 7.2 Ease of access: air connections 7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction	Varies, approximately 1 week. Four flights from Gatwick and Heathrow, London per day. Flight time one hour. See attached.
8.	Benefits of having the FSC: (please quantify where possible) 8.1 Employment change 8.2 Revenue generation 8.3 Others:	Employment generation, Guernsey has practically full employment. Real income per capita has increased 100% since 1971
9.	Are there any plans to develop/ extend the FSC? Any new legislation pending? If so, please describe	Legislation to enable investment limited partnership to be established in Guernsey has recently been introduced. Such vehicles are increasingly being used in overseas jurisdictions as an alternative medium for investment funds. The Banking Supervision (Bailiwick of Guernsey) Law 1994 was passed by the States of Guernsey. it replaced the Protection of Depositors Ordinance 1971 to

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		<p>1990, under which banking supervision is presently conducted. The new Law gives the Commission powers to intervene where a bank is in difficulties, by attaching conditions to licences and making directions when a licence is revoked, thereby giving the Commission much more control over troublesome situations, should there be any. Given the Commission's policy of selectivity, it is unlikely that such powers will be needed but it is right in principle that the Commission should have them. Another important improvement is to provide a precise definition of what constitutes a deposit and a deposit taking business. The law also gives the State the ability to introduce by ordinance a deposit protection scheme should this ever become a commercial necessity. In effect, the new legislation underpins many of the international standards which are presently imposed by the Commission on its moral authority and currently adhered to by Guernsey banks.</p> <p>Similar powers are to be granted under the new Investment and Insurance Laws.</p>
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ISLE OF MAN

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	The Isle of Man FSC is not geographically specific, it operates from the isle and serves global international markets. Specialisation's include : Captive and Life Insurance Ship Management and Registration
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	Commercial and financial activity dates back to Victorian times when mining and tourism were very important activities on the Isle of Man. A half hearted attempt at financial services emerged during the 1970's. It was not until the mid- 1980's when overcrowding in the Channel Islands was forcing financial services began in earnest to look further afield for their offshore work, that international financial services began in earnest The Isle of Man Banking Act of 1975 and the Financial Supervision Act of 1988 (an equivalent of the UK Financial Services Act of 1987) are the key legislative milestones. The mining industry had ceased before the Second World War and tourism suffered a serious structural decline in the 1960's and 1970's when cheap chartered flights to Spain and Portugal became the main holiday destination for the working classes of northern England. Well known problems in European agriculture exacerbated this problem and as a result financial services developed during a period when many Islanders were otherwise migrating for full time employment.

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3.	Data about of jurisdiction:			
	3.1 Total population	71 267 (April 1991)		
	3.2 No. of people directly employed in intl financial services	Approximately 4 500 in banking, insurance etc. and 1 500 professionals, legal accounting etc.		
	3.2.1 No. of expatriates	Employed persons on work permits 10 337 (1994); 9 876 (1993)		
	3.3 No. of: banks funds trust cos. stockbroking firms	61 101 restricted schemes, 16 authorised schemes, 21 recognised schemes. Not known, probably exceeds 150. 5		
	3.3 Professionals: law & audit firms	Approximately 30 law firms and 65 audit firms.		
	3.3 Professionals: law & audit firms	Isle of Man has an additional 34 000 companies registered, 140 captive insurance companies and 13 life insurance companies.		
	3.4 GDP (US\$)	1993	1992	1991
	GDP per capita (US\$)	866 963	828 892	765 344
		11 041	10 573	9 833
	3.5 Contribution of financial services to GDP (%)	299 232	291 133	262 241
		34.5%	35.1%	34.3%

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4.	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Corporate rate - resident company 20% on undistributed profit. Personal taxes - standard rate 15% maximum rate 20%. Mutual Fund management corporate tax rate of 5%. Bank owned treasury activities tax rate 2%.</p> <p>No special incentives offered.</p> <p>A full tax treaty with the United Kingdom and a shipping treaty with the USA are the only treaties in place.</p>
5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p>	<p>Isle of Man Financial Supervision Commission, regulates banks, investment business and collective investment schemes. The Isle of Man Insurance Authority regulates insurance business. Both authorities are chaired by the Treasury Minister.</p> <p>Financial Supervision Commission 15 staff, the Insurance Authority 5 staff.</p> <p>Funding is provided by the Isle of Man Government Central revenue which is offset by licence holder fees.</p>

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	5.4 Anti-money laundering laws in existence?	A voluntary scheme exists subject to guidance notes from the Regulator. However, most institutions are subsidiaries of EC parents whose own statutory money laundering requirements necessitate equivalent anti-money laundering procedures in overseas subsidiaries.
6.	6.1 Specific advantages offered by the FSC	<ul style="list-style-type: none"> • Political stability - 1000 years of unbroken independent parliament • Low taxation • Low costs (labour and office space) • Space and capacity for growth • Well established infrastructure • English law and customs • Well established professional services and expertise • Time zone • Well educated, available labour force • High standards of regulation and supervision within a sympathetic framework
	6.2 List major jurisdictions from which FSC business is sourced in order of priority	United Kingdom, Middle East, Far East (especially UK expatriates and South Africa.
7.	7.1 Communications: time to install a phone line	Low cost digital system.
	7.2 Ease of access: air connections	One hour from London, Heathrow with easy interlining with the rest of the world. Extensive regional flights.

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	7.3 Please complete the attached budget sheet.	See attached
8.	Benefits of having the FSC: 8.1 Employment change 8.2 Revenue generation 8.3 Others:	20 % of the working population now employed in financial services. This has increased from 1 500 in 1981 to 4 500 in 1991 and is projected to grow to 6 000 by 1996 (excluding professional services) Contributes 35% of GNP (92/93) against 19% in 84/85. Nil
9.	Are there any plans to develop/ extend the FSC? Any new legislation pending? If so, please describe	<ul style="list-style-type: none"> • New company and trust legislation is currently being introduced and planned. • Further regulation of companies and trusts in planning. • Special concessions for property development in designated areas.

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LUXEMBOURG

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	<p>Part of Luxembourg's success as an FSC is due to its geographical location. Luxembourg has an area of 999 square miles and lies between Germany, Belgium and France. The state has 400 000 inhabitants, one fifth of whom live in the city of Luxembourg. It is a sovereign state and a full member of all the major international institutions. It has a long established tradition of political and social stability; manpower is skilled and accustomed to high productivity; there is an excellent transportation system by road, rail, air, river. French and German are spoken fluently and many people have a good working knowledge of English.</p> <p>Luxembourg's niche specialisation's include banking, investment funds and holding companies. In the past thirty years, more than 200 banks have established a presence in Luxembourg. These banks offer the entire spectrum of financial services in both corporate and private banking. Luxembourg also has 1 000 investment funds of international repute amongst private and institutional investors. Luxembourg has over 10 000 holding companies which enjoy special tax status, an internationally successful Luxembourg Stock Exchange and Cedel, the world-wide clearing agency for securities transactions. Another interesting development in recent years is the cross board expansion of the country's insurance sector in various market niches, specifically captive reinsurance and international life insurance</p>
2.	History: 2.1 Brief history- when started, dates of major acts, etc.	<p>Luxembourg's role as an FSC was started in 1929 with the introduction of the 1929 Holding Company Act. The Act was intended to remove the double taxation of companies holding shares in other companies. Since 1929 holding</p>

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	<p>2.2 Motivation for establishing the centre e.g. employment generation?</p>	<p>companies do not benefit from the advantages of Luxembourg's tax treaties, the Societe de Participation Financiere (SOPARFI) was developed. Changes to Luxembourg tax law in 1990 exempted qualifying companies from local taxes. The EU parent/subsidiary was also introduced and applies to SOPARFIs. Luxembourg developed its reputation as a market for investment funds through the Grand Ducal Decree of 22 December 1972. This was repealed by the law of 25 August 1983 and the current law relating to investment funds is the law of 30 March 1988 which implemented the EU Directive 85/611/EEC. Due to its size, Luxembourg has been able to introduce new legislation, especially from the European Union, faster than the other member states. This has permitted it to attain the market lead in certain sectors.</p>
<p>3.</p>	<p>Data about of jurisdiction: 3.1 Total population 3.2 No. of people directly employed in intl financial services 3.2.1 No. of expatriates 3.3 No. of: banks funds 3.3 Professionals: law & audit firms 3.4 GDP (US\$) GDP per capita (US\$)</p>	<p>400 000 (Luxembourg city 80 000) The total active labour force totals approximately 165 000 with approximately 8 000 civil servants. The financial services employ approximately 65% of the remaining work force, 102 050 people. Unknown Approximately 200 Approximately 1000 8 major law firms with 39 partners and 6 major audit firms.</p>

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	4.3 Tax treaties- with which countries (present & planned)	Luxembourg has tax treaties with the following countries: Austria, Belgium, Brazil, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Morocco, Netherlands, Norway, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom and USA
5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>The Institut Belgo-Luxembourgeois du Change (I.B.C) exercises control over currency exchange transactions in the Belgian Luxembourg Economic Union. The functions of a central bank in the Belgian Luxembourg Economic Union are assumed by the Luxembourg Monetary Institute (I.M.I.), the State Savings Banks and the I.B.C. The main role of the I.M.I. is to monitor and supervise the banking and financial sectors.</p> <p>The I.M.I. is headed by a director general and includes amongst its employees a cross section of financial experts. It assists in the preparation of Grand Ducal decrees by collecting and treating relevant data from the financial sector. It issues circulars dealing with consequences of various financial legislation. The I.M.I. is divided into certain sub-committees including a banking advisory committee and a committee on banking supervision. It is a member of the EC Governors Sub- Committee on Banking Supervision.</p> <p>Unknown</p> <p>A complete new law on the financial sector was enacted on the 5th of April 1993. This includes a new chapter on professional obligations dealing inter alia, with money laundering and the concept of bank secrecy</p>

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6.	<p>6.1 Specific advantages offered by the FSC</p> <p>6.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<ul style="list-style-type: none"> • A successful and diversified economy; • Tax rates in line with other EC States, but specific legislation and an attractive regulatory environment encouraging investment; • Sophisticated banking systems; recognised leader of the European crossborder investments funds industry; • Direct access to international capital markets • An appropriate location for crossborder equity investment. <p>Luxembourg has an economic and monetary union with Belgium and is a member of Benelux. The major jurisdictions from which FSC business is sourced are, in approximate order of priority: Belgium, Netherlands, France, Germany, other EU countries and the USA.</p>
7.	<p>7.1 Communications: time to install a phone line</p> <p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction</p>	<p>Phone lines can be connected immediately for business concerns.</p> <p>The Luxembourg international airport is a major air transport centre with direct and connecting flights to all parts of the world.</p> <p>See attached.</p>
8.	<p>Benefits of having the FSC:</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p>	<p>During the last 18 years, Luxembourg has become one of the large financial centres in Western Europe. This has led to an unemployment level of less than 2%. It also has one of the highest per capita GNP in Europe</p>

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9.	<p>Are there any plans to develop/ extend the FSC? Any new legislation pending?</p> <p>If so, please describe</p>	<p>A bill on the consolidated supervision of banks during 1994 and a draft decree modernising rules on securities transactions was submitted to parliament in 1994. Luxembourg is presently working towards the adoption of the lengthening list of draft laws covering a wide variety of financial reform measures.</p>
10.	<p>Any other relevant lessons from the jurisdiction?</p>	<p>Luxembourg has been fortunate since its geographical location and membership of the EU have enabled it to develop as a successful FSC. Luxembourg has shown determination to create an attractive regulatory environment which encourages foreign investment. It has also achieved the necessary preconditions for a successful FSC including a sophisticated banking system and a government willing to expedite legislation required for Luxembourg to retain its competitive edge as an FSC.</p>

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	<p>4.3 Tax treaties- with which countries (present & planned)</p>	<ul style="list-style-type: none"> • Developers of infrastructure are entitled to 50% of the adjusted income from such facilities provided that the construction of the facilities commenced by 1 October 1993. • Dividends received by an offshore company from a Malaysian resident company is not subject to income tax and no refund or set-off is given in respect of tax deducted from such dividend. • Dividends paid by an offshore company out of income derived from an offshore business activity or out of exempt income is not subject to income tax in the hands of the recipient. Such dividend will be paid gross without any tax deduction at source. • Royalties paid by an offshore company to a non-resident person or another offshore company is not subject to income tax. However, where the interest accrues to a banking, finance company or insurance business carried on by a non-resident person in Malaysia, that interest will be subject to income tax as part of business income. • Interest paid by an offshore company to a resident person, other than a person carrying on a banking, finance company or insurance business in Malaysia, is not subject to income tax. • All instruments made in connection with an offshore business activity by an offshore company are not subject to stamp duty under the Malaysian Stamp Act, 1949. <p>To date, Malaysia has concluded 40 double taxation agreements, and are presently negotiating a further three.</p> <p>Labuan offshore companies which are resident in Malaysia for treaty purposes should also be able to benefit from treaty provisions in the Double Taxation</p>
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7.	<p>7.1 Communications: time to install a phone line</p> <p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction</p>	<p>It takes less than a week to install a phone line.</p> <p>Because of its strategic location in the Asia-Pacific region, Labuan is only a short distance from every airport in Asia and Australia. Its modern airport is easily accessible by direct domestic flights from Kuala Lumpur and Kota Kinabalu, Sabah and also from nearby Singapore, Bangkok, and Manila.</p> <p>See attached</p>
8.	<p>Benefits of having the FSC:</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p>	<p>With the influx and increasing number of major offshore banks in to the IFSC, job opportunities will grow in the near future. At this stage it is too early to gauge the impact on employment.</p> <p>The growth of Labuan IFSC has progressed positively. This is evident from the increasing number of offshore loans raised and deposits with offshore banks.</p>
9.	<p>Are there any plans to develop/ extend the FSC? Any new legislation pending?</p> <p>If so, please describe</p>	<p>Since the establishment of Labuan as an IFSC in October 1990, there has been little change in the legislative or regulatory amendments. Emphasis was placed instead upon fulfilling the operational requirements of an active, efficient IFSC, by providing vital infrastructure</p> <p>The Labuan Development Authority has promised to "continuously improve rules and regulations to simplify and wherever possible de-regularise barriers, create attractive packages and diversify IFSC services to satisfy offshore players".</p>

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		<p>The Economic Planning Unit of the Prime Minister's Department has engaged a foreign consulting firm to draft the terms of reference for a "Master Development Plan" to formulate strategic plans to improve the effectiveness of Labuan as an IFSC.</p> <p>An Offshore Trust Bill, to provide a legal framework for the creation and operation of offshore trusts, is expected to be passed by Parliament in 1995, and will complement the existing Labuan Trust Companies Act, 1990.</p> <p>An earlier proposal for a "Labuan international financial exchange" whose objectives are to transform Labuan into an international financial derivatives trading and risk management centre within Asia Pacific's time zone, as well as to provide exchange listing facilities for unit trust, country funds and multinational companies.</p>
10.	Any other relevant lessons from the jurisdiction?	<p>For any IFSC to grow there is a need to provide the necessary infrastructural facilities and skilled manpower. Acknowledging the fact that there is a lack of suitable office space in Labuan, the Malaysian government has in the interim period, while the facilities are being set up, allowed offshore banks and insurance companies to set up management offices in Kuala Lumpur until 31 December 1995.</p> <p>With regard to skilled labour, the Malaysian government has relaxed the rules and regulations relating to the employment of expatriates. To facilitate the application process and minimise delays, a special committee has been set up in Labuan to issue employment permits to expatriates needed by financial institutions and other firms in the IFSC.</p>

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MALTA

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	Malta is an international financial centre offering a range of financial services in the fields of international trading and holding companies, trusts, banking, insurance and investment services. The centre is not geographically specific and has no particular niche specialisation
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	<p>In 1989 following the enactment of the Malta Financial Services Act, Malta started promoting offshore services enabling the formation of offshore holding, trading, shipping, banking, and insurance companies. In 1994 a large number of new laws were enacted to provide the required legal background for the development of Malta into an international financial and trading centre</p> <p>Financial services are seen to be an important source of income and employment for the Maltese economy and the government is committed to develop Malta as an international FSC. The expansion of financial services in Malta is seen as a healthy diversification from the tourism and manufacturing sectors which are now reaching saturation point.</p>

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3.	<p>Data about of jurisdiction:</p> <p>3.1 Total population</p> <p>3.2 No. of people directly employed in intl financial services</p> <p>3.2.1 No. of expatriates</p> <p>3.3 No. of: banks funds trust cos.</p> <p>3.3 Professionals: law & audit firms</p> <p>3.4 GDP (US\$) GDP per capita (US\$)</p> <p>3.5 Contribution of financial services to GDP (%)</p>	<p>360 000</p> <p>Approximately 5000</p> <p>As at October 1994 total expatriates 1 890</p> <p>8 Approximately 5 Approximately 50</p> <p>Approximately 70</p> <p>US\$ 2 600 m US\$ 7 222</p> <p>Approximately 3.5%</p>
4.	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p>	<p>Onshore companies 35% Offshore holding companies 0% Offshore trading companies 5%</p>

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	<p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Personal income tax graduates up to a maximum of 35%, however people who retire to Malta as permanent residents pay a maximum of 15% income tax.</p> <ul style="list-style-type: none"> • Relief from double taxation • Refunds to non-resident shareholders <p>Malta has 21 double tax treaties with countries throughout the world with agreements for a further 6 treaties planned.</p>
<p>5.</p>	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>The regulatory authority for FSC activities is the Malta Financial Services Centre (MFSC). It is under the responsibility of the Minister of Finance and is intended as a one-stop shop and single regulator for the country's financial services.</p> <p>The MFSC consists of a Board of Governors and an Executive Committee appointed by the board. The executive committee in turn has a director for each of the areas of financial services supervision, including, investment services, international business, banking and insurance.</p> <p>The paid up capital of the Centre is currently US\$ 2.1m. The centre's revenue consists of, registration fees payable under the MFSC Act and rents, interest and profits accruing from property, deposits and other assets of the centre. The Minister of Finance may also make advances to the centre which is exempt from tax.</p> <p>The Prevention of Money Laundering Act enacted in 1994, together with the Prevention of Money Laundering Regulations make provision for the prevention and prohibition of the laundering of money in Malta.</p>

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0.	<p>0.1 Specific advantages offered by the FSC</p> <p>0.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<p>Apart from fiscal incentives offered other advantages of Malta as an FSC include, political and economic stability, accessibility and flexibility of regulators, confidentiality, a good infrastructure, high quality and availability of professionals and a good climate.</p> <p>Major jurisdictions include Italy, Switzerland, Austria, Germany, France, USA, UK.</p>
7.	<p>7.1 Communications: time to install a phone line</p> <p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction</p>	<p>Approximately 3 weeks to install a telephone.</p> <p>Good air links including frequent flights to major airports.</p> <p>Completed see attached</p>
8.	<p>Benefits of having the FSC: (please quantify where possible)</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p>	<p>Employment in the financial services sector has increased by approximately 300 people i.e. by 6%</p> <p>Approximately US\$ 21 m</p>
9.	<p>Are there any plans to develop/ extend the FSC? Any new legislation pending?</p>	<p>Malta's FSC legislation has significantly improved over the past six years with the introduction of eight new Acts and amendments to a further four Acts. There is also soon to be a new Companies Act which is to replace the existing Commercial Partnership Ordinance (1962). It will introduce provisions on group accounting and</p>

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		brings commercial law up to date by incorporating a number of concepts from EU company law.
10.	Any other relevant lessons from the jurisdiction?	There are a number of intangible benefits e.g. image, which are difficult to quantify. As an FSC, a small country can exercise a degree of influence totally out of proportion to its size.

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MAURITIUS

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisations?	<p>The FSC is not geographically specific, it encompasses the whole island of Mauritius.</p> <ul style="list-style-type: none"> • Investment Holdings • Fund Management • Setting up of regional headquarters taking advantage of the low taxation freeport and export processing facilities offered. • Ship registration. • International Trading.
2.	History: 2.1 Brief history- when started, dates of major acts, etc.	<p>Mauritius achieved its independence in 1968 and started its first phase of industrial development in the 1970's with the introduction of the Development Incentives Act that encouraged import substitution industries. With the acquisition of know-how but lack of capital funds, the country attracted foreign capital by diversifying into export oriented industries through the Export Processing Enterprise Act. This initiative proved to be most timely. The opening up of the European market through the Lome Convention drew substantial investors in the textile field from the far East on account of the ready market offered by Mauritius and the unstable political climate in their home countries. The economy has been growing at an average rate of 6% per annum over the last decade, and the industrial development has strengthened the agricultural sector and brought about a flourishing tourist industry.</p>

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<p>2.2 Motivation for establishing the centre e.g. employment generation?</p>	<p>The introduction of the new Income Tax Act 1974 by halving the top rate of personal and corporate tax has brought about a tremendous impetus for industrial expansion. The Export Services Zone Act of 1981, The Hotel Management (Incentives) Act of 1982, The Industrial Building Incentives Act of 1986, The Pioneer Status Enterprise Act of 1991, and lately the Industrial Expansion Act of 1993 consolidating all these incentive legislation's have led to the rapid growth of the services sector and has set the stage for the second stage of development.</p> <p>The Mauritius Offshore Business Authority Act of 1992 marked the first inroad into the financial services sector. In the meantime, Government had laid the foundation for a Mauritius Stock Exchange in 1988, introduced Trust legislation to facilitate fund management, suspended the Exchange Control legislation and passed the Freeport Act as a bridge between local industrial expansion and offshore management. All these measures show the firm intention of the Government to achieve a level playing field for all sectors of operation.</p> <p>Accordingly it is obvious that Mauritius departs from other financial centres that have no economy of substance. The Mauritius offshore sector is being employed purely as a means to speed up the process of integration with the world economy.</p> <p>The setting up of offshore facilities in Mauritius forms part of an outward looking strategy adopted to diversify the economy, to accelerate its integration in the world economy and to consolidate the existing pillars of economy, namely agriculture, industrial and tourism sectors.</p>
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		<p>With the present rate of unemployment of only 1.6%, and the importation of foreign labour in the construction, textile and agricultural sectors, employment generation is clearly not the motive for establishing the financial sector. However, the functioning of the sector with all its ancillary services in banking and fund management has broadened the outlook of local people in the globalisation process. Telecommunication services, insurance, hotels, transport, retailing, property development, secretarial and other back office jobs have all received a tremendous boost through the development of the financial centre.</p>																				
3.	Data about of jurisdiction:	<table border="1"> <thead> <tr> <th></th> <th>1994</th> <th>1993</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>3.1 Total population</td> <td>?</td> <td>1 105 739</td> <td>1 092 384</td> </tr> <tr> <td>3.2 No. of people directly employed in intl. financial services</td> <td colspan="3">431 (65 in offshore banks, 106 in offshore management and 260 in other offshore companies)</td> </tr> <tr> <td>3.2.1 No. of expatriates</td> <td colspan="3">Unknown</td> </tr> <tr> <td>3.3 No. of offshore companies registered</td> <td colspan="3"> 7 Offshore Banks 45 Offshore Management Funds 4 Insurance 21 Offshore Management Companies 743 Investment Holding Companies 106 International Trading Companies 3 Aircraft Leasing Companies 1 450 Others </td> </tr> </tbody> </table>		1994	1993	1992	3.1 Total population	?	1 105 739	1 092 384	3.2 No. of people directly employed in intl. financial services	431 (65 in offshore banks, 106 in offshore management and 260 in other offshore companies)			3.2.1 No. of expatriates	Unknown			3.3 No. of offshore companies registered	7 Offshore Banks 45 Offshore Management Funds 4 Insurance 21 Offshore Management Companies 743 Investment Holding Companies 106 International Trading Companies 3 Aircraft Leasing Companies 1 450 Others		
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	<p>3.3 Professionals: law & audit firms</p> <p>3.4 GDP (US\$) GDP per capita (US\$)</p> <p>3.5 Contribution of financial services to GDP (%)</p>	<p>There are over 300 qualified professional accountants working in Mauritius, and about 20 auditing firms with all the big six represented. There are over 200 barristers and solicitors practising in Mauritius. They are not allowed to practice in a corporate name, however a number of lawyers organise themselves in Chambers so as to share overheads.</p> <table border="1"> <thead> <tr> <th>1994</th> <th>1993</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td>3 547 m</td> <td>3 135 m'</td> <td>2 722 m</td> </tr> <tr> <td>3 290</td> <td>2 950</td> <td>2 600</td> </tr> </tbody> </table>	1994	1993	1992	3 547 m	3 135 m'	2 722 m	3 290	2 950	2 600
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<p>4.</p>	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p>	<p>The normal corporate tax rate is at 35%. Dividends are taxable in the hands of shareholders, except that corporate shareholders enjoy franked investment income until it is passed on as a dividend to individual shareholders. Incentive companies which include export enterprises and approved local manufacturing companies are taxed at 15% and dividends are tax free in the hands of the shareholders.</p> <p>The chargeable income of individuals is taxed at a graduated rate varying from 5% to 25%.</p> <p>International companies operating in the offshore sector without a tax residency status are taxed at zero rate.</p>									

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	<p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Offshore ordinary status companies with tax residency status can opt to be taxed at a rate varying from 0% to 35%. However, such companies which were incorporated and came into operation after 1 July 1988 will be taxed, like incentive companies, at the rate of 15% and dividends are tax free in the hands of shareholders.</p> <p>Expatriate employees operating in the offshore sector are liable for Maritian income tax at half the normal rates.</p> <p>The following are treaties signed and in force: South Africa (old) 1961, West Germany (1978), United Kingdom (1981), France (1981), India (1983), Zimbabwe (1992), Sweden (1992), Malaysia (1993), Swaziland (1994) and Italy (1994).</p> <p>The following treaties have been signed and finalised but are not yet in force: South Africa (new), Luxembourg, Belgium, Pakistan, People's Republic of China, Madagascar, Namibia, Kuwait, Vietnam, Singapore, Lesotho, Oman, Russia and Sri Lanka.</p> <p>The following treaties are under negotiation: Canada, Botswana and the following countries have expressed their interest in negotiating treaties: Austria, Saudi Arabia, Qatar, United Arab Emirates, Cambodia, Portugal, Turkey and Indonesia.</p>
<p>5.</p>	<p>Regulatory regime: 5.1 Regulatory authority for FSC activities</p>	<p>The Mauritian Offshore Business Activities Act promulgated in 1992 provides for the establishment of the Mauritius Offshore Business Activities Authority which</p>

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	<p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>is primarily a supervisory body with powers to licence, regulate and monitor the conduct of offshore business operations.</p> <p>MOBAA is governed by a Board of Governors with the Minister of Finance as Chairman, Governor of the Bank of Mauritius as Vice Chairman, the Financial Secretary, a representative from the Prime Minister's Office, and four other co-opted members.</p> <p>Management of the Authority is headed by a director who is a lawyer by profession and an expatriate manager with offshore sector experience. They are assisted by deputies and a staff of less than ten persons engaged in organising training for local professionals, initiating research work in selected areas, and organising road shows in major financial centres as well as carrying out an on-going publicity campaign in specialised magazines and journals</p> <p>The Authority is funded mainly by licensing and processing fees received from offshore companies. In addition, the Authority receives grants and special contributions from Government. The amount received up to June 1994 amounted to US\$ 1.25m.</p> <p>A bill in the form of Prevention of Money Laundering Act is due to be presented to Parliament within the next session. MOBBA has recently organised a seminar on this issue with the support of the Bank of England's Joint Money Laundering Steering Group. Government have endorsed the recommendations of the United Nations Vienna Anti-drug convention against the illicit trafficking of Narcotic Drugs and Psychotropic Substances of 1988.</p>
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		The bill will be forwarded by a Financial Services Authority Bill, the Securities and Exchange Bill, the Investment Business Bill and the Specialised Financial Institutions Bill to provide a more appropriate legislative and regulatory framework for international business activities.
6.	6.1 Specific advantages offered by the FSC	<ul style="list-style-type: none"> • A convenient time zone of GMT +4 hours. • A comprehensive network of double taxation treaties. • Freedom from exchange control. • A country with political and economic stability with its international financial business merged within its industrial, agricultural and social activities to produce a level playing field for all concerned. • Strategic location between Eastern and Southern Africa, India and the Far East with direct air links and on line telecommunications. • Reliable legal framework. • Fast and simple incorporation process and low cost management.
	6.2 List major jurisdictions from which FSC business is sourced in order of priority	India, South Africa and the Indian Ocean Rim.
7.	7.1 Communications: time to install a phone line	Government has recourse to the French company Alcatel and the Japanese company NEC to have the telecommunication system revamped throughout the island. Depending on location, a phone line can be installed within a month.
	7.2 Ease of access: air connections	There are daily direct flights to Europe, Asia, South Africa, Kenya, Australia and Indian Ocean Islands.

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	7.3 Please complete the attached budget sheet	See attached.
8.	<p>Benefits of having the FSC:</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p> <p>8.3 Others:</p>	<p>Although people directly employed in the FSC number less than 500, indirect employment created through expansion in banking, stock exchange, insurance, transport, telecommunications, hotels, printing, and property development cannot be quantified as this sector is being integrated with the other sectors of the economy.</p> <p>Revenue generation is estimated as follows:-</p> <ul style="list-style-type: none"> • Processing and Licence Fees US\$ 2m • Offshore Management Company Revenue US\$ 2m • Offshore Banks Profit US\$ 44 m • Offshore Banks Assets US\$ 400 m
9.	<p>Are there any plans to develop/ extend the FSC? Any new legislation pending?</p> <p>If so, please describe</p>	<p>Three years active operation in FSC have taught the MOBBA several lessons:-</p> <ul style="list-style-type: none"> • Tax havens with freedom from taxation show irresponsibility and invite boycott from developed nations through controlled foreign companies anti-avoidance legislation. • A country with a differential taxation system prevents proper allocation of resources and will in the long run disrupt the economy. <p>As a preventative measure, Government plans over the next five years to integrate the FSC within the existing structure of the economy so as to bring income taxation of all sectors to the uniform rate of 15%. Given a proper network of double taxation conventions, the FSC will prosper not on account of</p>

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		its low taxation, but on account of the high degree of professionalism confidence and trust that the country can inspire through a respected legal framework
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NIUE

	Heading	Description
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	The FSC is geographically specific i.e. it is limited to the South Pacific island of Niue. The FSC has only been in existence for less than a year and as such has no specific niche as yet.
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	Offshore legislation was only finalised in March 1994, the international bank registry was opened in September 1994. The centre was established to afford additional employment opportunities and to generate additional revenue.
3.	Data about/of jurisdiction: 3.1 Total population 3.2 No. of people directly employed in intl financial services 3.2.1 No. of expatriates 3.3 No. of banks funds	Total population resident on Niue is 2500 20 people employed in international financial services No expatriates resident in Niue 1 0

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	trust cos. 3.3 Professionals: law & audit firms 3.4 GDP (US\$) GDP per capita (US\$) 3.5 Contribution of financial services to GDP (%)	2 No law or audit firms situated on Niue, all professional infrastructure is available from New Zealand. Unknown Unknown
4.	Tax regime: 4.1 General company & personal tax rates 4.2 Special incentives for FSC activities? 4.3 Tax treaties- with which countries (present & planned)	Tax rates for company and individuals is a maximum of 40% No special incentives at this stage No tax treaties at this stage
5.	Regulatory regime: 5.1 Regulatory authority for FSC activities 5.2 Structure of authority (no. of people/ skills)	The Niue Central Bank The Board of the Niue Bank consists of nine cabinet members at this stage.

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	5.3 Budget/ funding	Unknown
	5.4 Anti-money laundering laws in existence?	Yes Niue does have a money laundering law.
6.	6.1 Specific advantages offered by the FSC	Specific advantages of Niue as an FSC are the time zone, modern legislation and low price.
	6.2 List major jurisdictions from which FSC business is sourced in order of priority	Hong Kong, Singapore, USA
7.	7.1 Communications: time to install a phone line	Time to install a telephone varies, it can sometimes be instant
	7.2 Ease of access: air connections	Physical communications can be problematic as there is only one flight a week to Niue.
	7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction	As the set-up in Niue is still new costs of setting up an office are unknown at this stage.
8.	Benefits of having the FSC: (please quantify where possible)	
	8.1 Employment change	As the FSC has only just begun business recently no detailed information is available at this stage.
	8.2 Revenue generation	As the FSC has only just begun business recently no detailed information is available at this stage.

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9.	Are there any plans to develop/ extend the FSC? Any new legislation pending?	No
10.	Any other relevant lessons from the jurisdiction?	Not as yet

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VANUATU

	Heading	Description
1.	Type of IFSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	Geographically specific limited to the 80 islands comprising Vanuatu No niche specialisation's
2.	History: 2.1 Brief history- when started, dates of major acts, etc.	<p>Vanuatu is a parliamentary democracy. Independence was attained on 30 July 1980, after 74 years of joint rule by Britain and France. The legislature consists of a single chamber, 46 member parliament for which general elections are held every four years. The most recent election was held in November 1991 at which a coalition government was elected.</p> <p>Vanuatu's constitution states that, until otherwise provided by Parliament, pre-independence British and French laws shall continue to the extent that they are not expressly revoked or are incompatible with the independent status of the Republic. In October 1986 The Company Act came into effect, thus consolidating company law. In 1988 the entire laws of the republic were revised and consolidated.</p> <p>The statutory framework for the operation of the offshore financial centre comprises the Companies Act, the International Companies Act, and the Banking, Insurance, Stamp Duties and Trust Companies Regulations. The framework is administered by the office of the Financial Services Commissioner</p>

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	2.2 Motivation for establishing the centre	and is adjudicated upon by the Supreme Court of Vanuatu. Revenue generation for the Vanuatu Government.
3.	Data about of jurisdiction:	
	3.1 Total population	Approximately 140 000
	3.2 No. of people directly employed in intl financial services	300 - 500
	3.2.1 No. of expatriates	2 000 - 3 000 in total approximately 100 in FSC employment
	3.3 No. of: banks	4
	funds	0
	trust cos.	8
	3.3 Professionals: law & audit firms	9 Law firms and 5 Audit firms
	3.4 GDP (US\$)	195.4 m
	GDP per capita (US\$)	1 396
	3.5 Contribution of financial services to GDP (%)	US\$ 14, 8 m

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4.	<p>Tax regime:</p> <p>4.1 General company & personal tax rates</p> <p>4.2 Special incentives for FSC activities?</p> <p>4.3 Tax treaties- with which countries (present & planned)</p>	<p>Vanuatu has no personal or corporate taxes, nor are there any withholding taxes, capital gains taxes, gift, estate or death duties for residents or non-residents.</p> <p>Nil</p> <p>No tax treaties with other countries are in existence nor are there any known to be contemplated.</p>
5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>Financial Services Commission adjudicated by the Supreme Court of Vanuatu,</p> <p>Staffed by 10 citizens, the commissioner being a lawyer.</p> <p>Not available</p> <p>Yes anti money laundering laws are in existence.</p>
6.	<p>6.1 Specific advantages offered by the FSC</p>	<p>No personal or corporate income taxes, no capital gains or withholding taxes, no estate or death duties, no tax treaties and no exchange controls. There is a year guarantee of no taxes for international companies and extensive secrecy provisions. Vanuatu is conveniently located in the Asia Pacific Region and is only 3 hours ahead of Hong Kong and Singapore. Vanuatu has a very flexible modern international companies act and can accommodate same day incorporation's, within one hour on special request. The FSC offers full international banking and professional services.</p>

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	6.2 List major jurisdictions from which FSC business is sourced in order of priority	Hong Kong, Australia, New Zealand, Europe and USA.
7.	7.1 Communications: time to install a phone line 7.2 Ease of access: air connections 7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction	Between one and ten days. Multiple flights to Australia, New Zealand, New Caledonia and Fiji weekly. See attached.
8.	Benefits of having the FSC: (please quantify where possible) 8.1 Employment change 8.2 Revenue generation 8.3 Others:	Vanuatu is a tax haven and as such attracts many international companies, generating taxes and employment for Vanuatu.
9.	Are there any plans to develop/ extend the FSC? Any new legislation pending? If so, please describe	No major plans for development except for ongoing updating of legislation
10.	Any other relevant lessons from the jurisdiction?	Vanuatu proves it pays to keep up to date legislation and to keep annual maintenance costs as low as possible.

BOTSWANA IFSC
JULY 1995

SOUTH AFRICA

	Heading	Description																								
1.	Type of FSC: 1.1 Geographically specific? 1.2 Niche specialisation's?	South Africa has no formal Financial Services Centre however the Stock Exchange and Futures Exchange as well as the bulk of South African banks, life assurance, unit trust and stockbroking head offices are situated in Johannesburg.																								
2.	History: 2.1 Brief history- when started, dates of major acts, etc. 2.2 Motivation for establishing the centre e.g. employment generation?	Not applicable in South Africa. Not applicable in South Africa.																								
3.	Data about of jurisdiction: (wherever possible, please give comparative figures to indicate trend over time) 3.1 Total population 3.2 No. of people directly employed in intl financial services 3.2.1 No. of expatriates	South Africa has no formal FSC, the following data relate to the financial sector in general. <table border="1" data-bbox="789 1174 1858 1379"> <thead> <tr> <th></th> <th>1994</th> <th>1993</th> <th>1992</th> <th>1991</th> <th>1990</th> </tr> </thead> <tbody> <tr> <td>3.1 Total population</td> <td>33 267 m</td> <td>32 589 m</td> <td>31 917 m</td> <td>31 244 m</td> <td>30 575 m</td> </tr> <tr> <td>3.2 No. of people directly employed in intl financial services</td> <td>+/-194 000</td> <td>193 076</td> <td>190 503</td> <td>185 206</td> <td>186 280</td> </tr> <tr> <td>3.2.1 No. of expatriates</td> <td colspan="5">Unknown.</td> </tr> </tbody> </table>		1994	1993	1992	1991	1990	3.1 Total population	33 267 m	32 589 m	31 917 m	31 244 m	30 575 m	3.2 No. of people directly employed in intl financial services	+/-194 000	193 076	190 503	185 206	186 280	3.2.1 No. of expatriates	Unknown.				
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3.2.1 No. of expatriates	Unknown.																									

BOTSWANA IFSC
JULY 1995

<p>3.3 No. of: banks-local -foreign -funds stockbroking firms 3.3 Professionals: law & audit firms 3.4 GDP (US\$) GDP per capita (US\$) 3.5 Contribution of financial services to GDP (%)</p>	<p>35 registered banks employing 120 000 people. 40 foreign banks with approved representative offices. 60 Unit Trusts managed by 20 Management Companies. 47 Stockbroking firms registered as members of the Johannesburg Stock Exchange. 83 registered members of SAFEX (South African Futures Exchange). 4316 registered law firms with 9261 registered attorneys. 2493 audit firms with 4300 registered audit partners.</p> <table border="1"> <thead> <tr> <th></th> <th>1994</th> <th>1993</th> <th>1992</th> <th>1991</th> <th>1990</th> </tr> </thead> <tbody> <tr> <td>104 811 m</td> <td>94 498 m</td> <td>83 585 m</td> <td>76 202 m</td> <td>67 757 m</td> </tr> <tr> <td>3 150</td> <td>2 900</td> <td>2 619</td> <td>2 439</td> <td>2 216</td> </tr> <tr> <td>17 373 m</td> <td>15 505 m</td> <td>13 387 m</td> <td>11 483 m</td> <td>9 814 m</td> </tr> <tr> <td>16.58%</td> <td>16.41%</td> <td>16.02%</td> <td>15.07%</td> <td>14.48%</td> </tr> </tbody> </table>		1994	1993	1992	1991	1990	104 811 m	94 498 m	83 585 m	76 202 m	67 757 m	3 150	2 900	2 619	2 439	2 216	17 373 m	15 505 m	13 387 m	11 483 m	9 814 m	16.58%	16.41%	16.02%	15.07%	14.48%
	1994	1993	1992	1991	1990																						
104 811 m	94 498 m	83 585 m	76 202 m	67 757 m																							
3 150	2 900	2 619	2 439	2 216																							
17 373 m	15 505 m	13 387 m	11 483 m	9 814 m																							
16.58%	16.41%	16.02%	15.07%	14.48%																							
<p>4. Tax regime: 4.1 General company & personal tax rates 4.2 Special incentives for FSC activities? 4.3 Tax treaties- with which countries (present & planned)</p>	<p>General company tax rate is 35 % with an additional secondary tax of 25%, the personal tax marginal rate from US\$ 22,000 upward is 45%. No tax incentives offered. South Africa has double taxation agreements with 22 countries throughout the world with agreements for a further 20 countries planned.</p>																										

BOTSWANA IFSC
JULY 1995

5.	<p>Regulatory regime:</p> <p>5.1 Regulatory authority for FSC activities</p> <p>5.2 Structure of authority (no. of people/ skills)</p> <p>5.3 Budget/ funding</p> <p>5.4 Anti-money laundering laws in existence?</p>	<p>Financial services in general are regulated by the FSB (Financial Services Board), banks however are supervised by the SARB (South African Reserve Bank) both are situated in Pretoria.</p> <p>FSB is an independent institution established to oversee the SA financial services industry. The FSB employs 116 people including 1 senior advocate, 3 advocates, 4 attorneys, 3 actuaries and 6 chartered accountants. The FSB operates in 5 distinct areas namely long-term insurance, short-term insurance retirement funds & friendly societies, financial markets and unit trust & participation bond schemes.</p> <p>Funding is raised by way of levies payable by the financial institutions and intermediaries regulated by the FSB. The income for 1994 was (\$4.5m).</p> <p>Yes anti money laundering laws are in existence, South Africa have also adopted the Basel Statement of Principles but have not signed them.</p>
6.	<p>6.1 Specific advantages offered by the FSC</p> <p>6.2 List major jurisdictions from which FSC business is sourced in order of priority</p>	<p>Not applicable in South Africa.</p> <p>Not applicable in South Africa.</p>
7.	<p>7.1 Communications: time to install a phone line</p>	<p>Communication systems/infrastructure in South Africa are good, telephone installation time varies, for banking type operations takes approximately 1 month. Cellular telephone network very good, connection time 1 day.</p>

BOTSWANA IFSC
JULY 1995

	<p>7.2 Ease of access: air connections</p> <p>7.3 Please complete the attached budget sheet which indicates the annual cost of operating a small office in this jurisdiction</p>	<p>South Africa is readily accessible with direct flights from Johannesburg to over 120 cities world-wide on a regular basis.</p> <p>Completed see attached.</p>
8.	<p>Benefits of having the FSC: (please quantify where possible)</p> <p>8.1 Employment change</p> <p>8.2 Revenue generation</p> <p>8.3 Others:</p>	<p>Not applicable in South Africa.</p> <p>Not applicable in South Africa.</p> <p>Not applicable in South Africa.</p>
9.	<p>Are there any plans to develop/ extend the FSC? Any new legislation pending?</p> <p>If so, please describe</p>	<p>No plans to develop an FSC in South Africa.</p>
10.	<p>Any other relevant lessons from the jurisdiction?</p>	<p>Recent developments include the abolition of the financial rand and the lifting of non-residents shareholders tax. Exchange control on residents is expected to be lifted in the next two years.</p>



BOTSWANA IFSC

JULY 1995

APPENDIX B: ADMINISTRATOR'S OFFICE ANNUAL/OPERATING COSTS

BERMUDA

EXPENSE	NOTE	US\$
Basic Salaries	1	220 000
Management		100 000
Officers		90 000
Other		30 000
Benefits		56 000
Medical Aid Contribution	2	10 000
Pension Contribution	3	10 000
Bonus Provision	4	15 000
Payroll Tax		21 000
Telephone	5	35 000
Installation		4 000
Rental		1 000
Usage		30 000
Lease	6	23 000
Fax		3 000
Messenger's Motorcycle		0
Photocopier		6 000
Computers		4 000
Furniture		10 000
Other Expenses		135 000
Insurance	7	10 000
Stationery/Printing	8	10 000
Office rental	9	32 000
Parking	10	0
Cleaners	11	6 000
Reuters	12	5 000
Entertainment	13	5 000
Newspapers/Magazines	14	2 000
Licenses	15	5 000
Advertising	16	24 000
Travel	17	30 000
Motorcycle running expenses	18	0
Office Fees		2 000
Sundries/Petty Cash		4 000
TOTAL		469 000



BOTSWANA IFSC

JULY 1995

BRITISH VIRGIN ISLANDS (BVI)

EXPENSE	NOTE	US\$
Basic Salaries	1	170 000
Management		80 000
Officers		65 000
Other		25 000
Benefits		34 500
Medical Aid Contribution	2	9 250
Pension Contribution	3	9 250
Bonus Provision	4	16 000
Telephone	5	33 000
Installation		1 000
Rental		2 000
Usage		30 000
Lease	6	22 625
Fax		905
Messenger's Motorcycle		0
Photocopier		4 525
Computers		9 655
Furniture		7 540
Other Expenses		117 300
Insurance	7	2 000
Stationery/Printing	8	8 000
Office rental	9	20 000
Parking	10	2 000
Cleaners	11	2 500
Reuters	12	4 800
Entertainment	13	18 000
Newspapers/Magazines	14	2 000
Licenses	15	5 000
Advertising	16	30 000
Travel	17	30 000
Motorcycle running expenses	18	0
Office Teas		0
Sundries/Petty Cash		5 000
TOTAL		377 425



**BOTSWANA IFSC
JULY 1995**

CAYMAN ISLANDS

EXPENSE	NOTE	US\$
Basic Salaries	1	225 000
Management		120 000
Officers		75 000
Other		30 000
Benefits		43 500
Medical Aid Contribution	2	9 750
Pension Contribution	3	9 750
Bonus Provision	4	24 000
Telephone	5	39 000
Installation		1 000
Rental		2 000
Usage		36 000
Lease	6	22 625
Fax		905
Messenger's Motorcycle		0
Photocopier		4 525
Computers		9 655
Furniture		7 540
Other Expenses		142 500
Insurance	7	2 500
Stationery/Printing	8	10 000
Office rental	9	24 000
Parking	10	10 800
Cleaners	11	4 200
Reuters	12	4 800
Entertainment	13	18 000
Newspapers/Magazines	14	2 000
Licenses	15	6 000
Advertising	16	24 000
Travel	17	30 000
Motorcycle running expenses	18	0
Office Teas		0
Sundries/Petty Cash		6 000
TOTAL		472 425



BOTSWANA IFSC

JULY 1995

DUBLIN

EXPENSE	NOTE	US\$
Basic Salaries	1	132 000
Management		72 000
Officers		48 000
Other		12 000
Benefits		28 400
Medical Aid Contribution	2	1 600
Pension Contribution	3	13 200
Bonus Provision	4	13 600
Telephone	5	13 120
Installation		8 960
Rental		960
Usage		3 200
Lease	6	13 028
Fax		520
Messenger's Motorcycle		1 040
Photocopier		3 110
Computers		4 730
Furniture		3 628
Other Expenses		68 000
Insurance	7	2 400
Stationery/Printing	8	3 200
Office rental	9	32 000
Parking	10	4 800
Cleaners	11	800
Reuters	12	2 400
Entertainment	13	1 600
Newspapers/Magazines	14	3 200
Licenses	15	0
Advertising	16	9 600
Travel	17	4 800
Motorcycle running expenses	18	1 600
Office Fees		800
Sundries/Petty Cash		800
TOTAL		254 548



BOTSWANA IFSC

JULY 1995

GIBRALTAR

EXPENSE	NOTE	US\$
Basic Salaries	1	137 500
Management		60 000
Officers		67 500
Other		10 000
Benefits		15 475
Medical Aid Contribution	2	2 750
Pension Contribution	3	6 875
Bonus Provision	4	5 850
Telephone	5	6 500
Installation		300
Rental		1 200
Usage		5 000
Lease	6	3 718
Fax		260
Messenger's Motorcycle		390
Photocopier		390
Computers		1 846
Furniture		832
Other Expenses		55 969
Insurance	7	429
Stationery/Printing	8	1 200
Office rental	9	24 000
Parking	10	3 240
Cleaners	11	2 400
Reuters	12	1 200
Entertainment	13	3 000
Newspapers/Magazines	14	1 000
Licenses	15	3 000
Advertising	16	12 000
Travel	17	2 000
Motorcycle running expenses	18	4 00
Office fees		900
Sundries/Petty Cash		1 200
TOTAL		219 162



BOTSWANA IFSC

JULY 1995

GUERNSEY, CHANNEL ISLANDS

EXPENSE	NOTE	US\$
Basic Salaries	1	136 722
Management		64 340
Officers		51 472
Other		20 910
Benefits		27 841
Medical Aid Contribution	2	5 126
Pension Contribution	3	13 080
Bonus Provision	4	9 635
Telephone	5	32 758
Installation		730
Rental		1 145
Usage		30 883
Lease	6	11 726
Fax		869
Messenger's Motorcycle		1 303
Photocopier		1 737
Computers		5 645
Furniture		2 172
Other Expenses		66 610
Insurance	7	129
Stationery/Printing	8	3 378
Office rental	9	38 604
Parking	10	4 826
Cleaners	11	2 509
Reuters	12	5 791
Entertainment	13	1 609
Newspapers/Magazines	14	1 126
Licenses	15	193
Advertising	16	1 609
Travel	17	2 895
Motorcycle running expenses	18	370
Office Fees	19	1 641
Sundries/Petty Cash		1 930
TOTAL		275 657



BOTSWANA IFSC

JULY 1995

ISLE OF MAN

EXPENSE	NOTE	US\$
Basic Salaries	1	162 000
Management Officers		70 000
Other		56 000
Benefits		36 000
Medical Aid Contribution	2	44 375
Pension Contribution	3	3 875
Bonus Provision	4	16 200
Telephone	5	24 300
Installation		21 375
Rental		775
Usage		3 100
Lease	6	17 500
Fax		15 810
Managers Car		310
Photocopier		8 525
Computers		1 550
Furniture		3 875
Other Expenses		1 550
Insurance	7	125 162
Stationery/Printing	8	7 750
Office rental	9	3 100
Parking	10	18 600
Cleaners	11	6 587
Reuters	12	1 550
Entertainment	13	31 000
Newspapers/Magazines	14	15 500
Licenses	15	775
Advertising	16	11 625
Travel	17	7 750
Managers car running exp.	18	15 500
Office Teas	19	3 100
Sundries/Petty Cash		775
TOTAL		368 722



BOTSWANA IFSC

JULY 1995

LABUAN

EXPENSE	NOTE	US\$
Basic Salaries	1	103 500
Management		60 000
Officers		40 000
Other		3 500
Benefits		39 740
Medical Aid Contribution	2	8 000
Pension Contribution	3	10 290
Bonus Provision	4	12 250
Telephone	5	3 070
Installation		130
Rental		540
Usage		2 400
Lease	6	13 872
Fax		720
Managers Car		432
Photocopier		1 440
Computers		10 128
Furniture		1 152
Other Expenses		61 452
Insurance	7	4 188
Stationery/Printing	8	960
Office rental	9	25 824
Parking	10	0
Cleaners	11	1 680
Reuters	12	266
Entertainment	13	14 400
Newspapers/Magazines	14	1 518
Licenses	15	808
Advertising	16	2 400
Travel	17	7 008
Managers car running exp.	18	960
Office Teas	19	800
Sundries/Petty Cash		640
TOTAL		221 634

**BOTSWANA IFSC
JULY 1995**

LUXEMBOURG

EXPENSE	NOTE	US\$
Basic Salaries	1	196 810
Management		82 870
Officers		87 010
Other		26 930
Benefits		50 230
Medical Aid Contribution	2	5 070
Pension Contribution	3	19 090
Bonus Provision	4	26 070
Telephone	5	20 715
Installation		1 725
Rental		3 450
Usage		15 540
Lease	6	18 990
Fax		1 035
Messenger's Motorcycle		2 070
Photocopier		8 290
Computers		4 145
Furniture		3 450
Other Expenses		92 730
Insurance	7	2 070
Stationery/Printing	8	4 140
Office rental	9	31 075
Parking	10	4 140
Cleaners	11	3 450
Reuters	12	1 325
Entertainment	13	9 945
Newspapers/Magazines	14	645
Licenses	15	3 450
Advertising	16	16 575
Travel	17	11 570
Motorcycle running expenses	18	1 245
Office Teas	19	2 400
Sundries/Petty Cash		700
TOTAL		379 475



BOTSWANA IFSC

JULY 1995

MALTA

EXPENSE	NOTE	US\$
Basic Salaries	1	103 500
Management Officers		45 000
Other		51 000
Benefits		7 500
Medical Aid Contribution	2	17 250
Pension Contribution	3	0
Bonus Provision	4	17 250
Telephone	5	0
Installation		6 000
Rental		300
Usage		300
Lease	6	5 400
Fax		6 718
Messenger's Motorcycle		246
Photocopier		1 723
Computers		738
Furniture		2 830
Other Expenses		1 181
Insurance	7	37 873
Stationery/Printing	8	273
Office rental	9	3 000
Parking	10	12 000
Cleaners	11	0
Reuters	12	1 200
Entertainment	13	0
Newspapers/Magazines	14	3 000
Licenses	15	640
Advertising	16	300
Travel	17	3 600
Motorcycle running expenses	18	10 000
Office Fees	19	2 500
Sundries/Petty Cash		360
		1 000
TOTAL		171 341



BOTSWANA IFSC

JULY 1995

MAURITIUS

EXPENSE	NOTE	US\$
Basic Salaries	1	90 500
Management		60 000
Officers		22 500
Other		8 000
Benefits		24 605
Medical Aid Contribution	2	6050
Pension Contribution	3	8 5000
Bonus Provision	4	15 500
Telephone	5	16 325
Installation		720
Rental		515
Usage		15 000
Lease	6	4 715
Fax		250
Messenger's Motorcycle		1 130
Photocopier		700
Computers		2 255
Furniture		380
Other Expenses		36 850
Insurance	7	165
Stationery/Printing	8	1 000
Office rental	9	12 000
Parking	10	1 080
Cleaners	11	1 800
Reuters	12	3 000
Entertainment	13	1 500
Newspapers/Magazines	14	500
Licenses	15	4 000
Advertising	16	6 000
Travel	17	5 000
Motorcycle running expenses	18	300
Office Teas		300
Sundries/Petty Cash		205
TOTAL		172 923



BOTSWANA IFSC

JULY 1995

VANUATU

EXPENSE	NOTE	US\$
Basic Salaries	1	115 000
Management		60 000
Officers		50 000
Other		5 000
Benefits		15 450
Medical Aid Contribution	2	12 000
Pension Contribution	3	3 450
Bonus Provision	4	0
Telephone	5	22 360
Installation		200
Rental		2 160
Usage		20 000
Lease	6	24 875
Fax		2 125
Messenger's Motorcycle		6 000
Photocopier		5 750
Computers		9 750
Furniture		1 250
Other Expenses		83 115
Insurance	7	125
Stationery/Printing	8	3 000
Office rental	9	19 200
Parking	10	0
Cleaners	11	1 890
Reuters	12	42 000
Entertainment	13	3 600
Newspapers/Magazines	14	200
Licenses	15	500
Advertising	16	6 000
Travel	17	4 500
Motorcycle running expenses	18	1 000
Office Fees	19	600
Sundries/Petty Cash		500
TOTAL		260 800



BOTSWANA IFSC

JULY 1995

SOUTH AFRICA

EXPENSE	NOTE	US\$
Basic Salaries	1	115 065
Management		65 750
Officers		41 095
Other		8 220
Benefits		28 035
Medical Aid Contribution	2	2 835
Pension Contribution	3	7 940
Bonus Provision	4	17 260
Telephone	5	18 590
Installation		585
Rental		1 565
Usage		16 440
Lease	6	8 759
Fax		248
Messenger's Motorcycle		1 240
Photocopier		1 982
Computers		3 223
Furniture		2 066
Other Expenses		48 588
Insurance	7	1 742
Stationery/Printing	8	3 288
Office rental	9	9 863
Parking	10	2 952
Cleaners	11	1 200
Reuters	12	4 000
Entertainment	13	4 920
Newspapers/Magazines	14	548
Licenses	15	1 644
Advertising	16	6 576
Travel	17	8 220
Motorcycle running expenses	18	1 151
Office Fees	19	840
Sundries/Petty Cash		1 644
TOTAL		219 037



BOTSWANA IFSC

JULY 1995

BOTSWANA

EXPENSE	NOTE	US\$
Basic Salaries	1	136 500
Management		70 000
Officers		60 000
Other		6 500
Benefits		31 300
Medical Aid Contribution	2	3 650
Pension Contribution	3	13 650
Bonus Provision	4	14 000
Telephone	5	25 000
Installation		2 000
Rental		2 000
Usage		21 000
Lease	6	11 385
Fax		322
Messenger's Motorcycle		1 612
Photocopier		2 576
Computers		4 190
Furniture		2 685
Other Expenses		68 209
Insurance	7	2 265
Stationery/Printing	8	4 275
Office rental	9	19 450
Parking	10	5 821
Cleaners	11	1 500
Reuters	12	5 000
Entertainment	13	5 000
Newspapers/Magazines	14	712
Licenses	15	2 500
Advertising	16	6 500
Travel	17	10 686
Motorcycle running expenses	18	1 500
Office Teas	19	1 000
Sundries/Petty Cash		2 000
TOTAL		272 394



**BOTSWANA IFSC
JULY 1995**

APPENDIX C: MODEL OF COSTS AND BENEFITS

**BOTSWANA INTERNATIONAL FINANCIAL SERVICES
CENTRE
KEY OUTPUTS**

Effect of IFSC	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	
Direct IFSC employment No.	18	48	83	127	174	
No. of new jobs created: No.	18	30	35	44	47	
Expatriate No.	3	5	6	7	7	
Citizens No.	15	25	29	37	40	
Ratio of citizen jobs/ expat jobs	5	5	5	5	6	
Indirect job sustained in prof. services	6	28	72	120	269	
Audit No.	2	9	26	51	116	
Company administration No.	4	16	36	50	108	
Legal No.	1	3	10	20	45	
Total new jobs created No. (cum.)	24	76	155	247	443	
Funds administered from Pm Botswana	315	665	1,050	1,510	2,045	
Bank deposits in Pm Botswana	0	400	1,000	1,600	2,200	
Captive Insurer Assets in Pm Botswana	0	60	240	600	1,140	
Botswana Revenues generated:	3,062	15,794	36,191	58,867	102,109	SUM 216,023
Salaries P000	920	3,300	6,020	9,550	13,380	33,170
Audit fees P000	332	1,716	5,138	10,262	23,219	40,668
Legal fees P000	140	665	1,965	3,910	8,995	15,675
Overhead P000	460	1,650	3,010	4,775	6,690	16,585
Secretarial fees P000	360	1,620	3,600	4,950	10,800	21,330
License fees P000	740	2,390	4,740	6,530	12,795	27,195
Profit before tax P000	110	4,453	11,718	18,890	26,230	61,400
Botswana Taxes paid P000	17	668	1,758	2,834	3,935	9,210
Income taxes on salaries P000	278	1,136	2,625	4,744	9,119	17,903
Gross increase in taxes P000	295	1,804	4,382	7,578	13,053	27,113
Net license fees P000	-924	585	1,848	3,226	9,016	13,751
Net state direct take/(contribution) P000	-629	2,389	6,230	10,804	22,069	40,864

**BOTSWANA IFSC
JULY 1995**

Tax on additional expenditure @ av.	P000	2,321	8,919	19,246	31,439	59,672	121,597
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Macro

Direct addition to GDP	P000	3,062	15,794	36,191	58,867	102,109	216,023
Total financial sector	P000	647,529	686,040	733,246	783,805	856,044	
Multiplied increase of local expenditure		8,856	34,024	73,420	119,932	227,637	463,869
Total GDP including IFSC	P million	10,704	11,119	11,570	12,044	12,614	

Financial services as % GDP	%	6.05	6.17	6.34	6.51	6.79	
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5 yr. av. Compound growth rate excl. IFSC						3.53	
---	--	--	--	--	--	------	--

5 yr. av. Compound growth rate incl. IFSC						4.09	15.9
---	--	--	--	--	--	------	------

Total employment financial services	No.	13,024	13,076	13,155	13,247	13,443	
-------------------------------------	-----	--------	--------	--------	--------	--------	--

Financial services as % Total employment		5.6	5.7	5.7	5.7	5.8	
--	--	-----	-----	-----	-----	-----	--

Investment Supervisory Committee/ Financial Services Commission

Total number of staff	No.	4	6	9	12	15	
-----------------------	-----	---	---	---	----	----	--

Revenues	P000	740	2,390	4,740	6,530	12,795	
----------	------	-----	-------	-------	-------	--------	--

Expenditure	P000	1,249	1,485	2,623	3,034	3,559	
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Marketing & Development Expenditure	P000	830	640	540	540	440	
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State share

Surplus/(Deficit) on operating expenditure	P000	-509	905	2,118	3,496	9,236	
--	------	------	-----	-------	-------	-------	--

Share of marketing budget	50%	-415	-320	-270	-270	-220	
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State receipt/(contribution) p.a.	P000	-924	585	1,848	3,226	9,016	
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BOTSWANA IFSC

JULY 1995

**BOTSWANA IFSC
MODEL
DETAILED ASSUMPTIONS**

		<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
GDP	Pm	10328	10,693	11,070	11,461	11,865	12,284
Financial sector share		6%					
Underlying growth rate: non financial		3.5%					
Underlying growth rate: finance non-IFSC		4%					
Calculated non-financial GDP	Pm	9,708	10,048	10,400	10,764	11,141	11,530
Calculated finance non-IFSC	Pm	620	644	670	697	725	754
Total employment	No.	231,324					
Financial sector	No.	13,000					
Proportion	%	5.6					
Multiplier of local expenditure on GDP		3					
Audit/ law firm: revenues per job	P000	200					
Company secretarial: revenues per job	P000	100					
<u>Individual Offshore Entities</u>	<u>Assets/ deposits, million</u>	<u>Audit fees</u>	<u>Legal fees</u>	<u>Admin. fee %/P</u>	<u>Admin jobs</u>	<u>Licence Initial</u>	
CIUs- domestic	20	40,000	20,000	0.0125	1	5,000	
CIUs- foreign					0	10,000	
CIUs- foreign exempt	55	27,400	10,000	0.0025	2	15,000	
Fund administrators		15,000	10,000			5,000	
International Banks	200	50,000	20,000			20,000	
Captive Insurers	20	30,000	5,000	100,000	1	10,000	
International Companies		5,000	2,000	900		900	



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Botswana tax rates:

Corporate- Bot source	%	15
International- captive management	%	15
International- banks	%	15
Personal- Bot source:	%	20
average effective.		

Numbers of entities registered:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
CIUs- domestic	2	3	3	4	6
CIU- foreign	10	20	26	31	35
CIU- foreign exempt	5	11	18	26	35
Fund administrators	1	2	3	3	4
International Banks	0	2	5	8	11
Captive Insurers	0	5	15	30	45
International Companies	200	1000	2500	4000	8000

BOTSWANA IFSC
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TRUST/ FUND ADMINISTRATION SECTOR

Income Statement	P000	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenue- Admin Fees		1,525	3,163	4,913	7,050	9,575
Expenditure		1,415	2,825	3,920	5,835	7,700
Salaries		920	1,840	2,550	3,830	5,050
Audit Fees		15	30	45	45	60
Licence Fees		10	15	20	15	25
Legal Fees		10	20	30	30	40
Overhead		460	920	1,275	1,915	2,525
Net Profit		110	338	993	1,215	1,875
Taxation		17	51	149	182	281
Profit after Tax		94	287	844	1,033	1,594
No. of admin companies		1	2	3	3	4
Staff	<u>Salary</u>	14	28	40	59	79
Management	180000	2	4	5	8	10
Administrators	50000	10	20	30	43	59
Support	30000	2	4	5	8	10
Of which, expats		2	4	5	8	10
FUNDS						
Total NAV admin in Bots.	Pm	315	665	1050	1510	2045
Audit Fees	P000	217	421	613	872	1199
Legal Fees	P000	90	170	240	340	470
Licence Fees	P000	370	575	710	895	1,090
INTERNATIONAL COS						
No. of intl. cos.	No.	200	1,000	2,500	4,000	8,000
Proportion using onshore services	%	10	20	30	40	50
Audit Fees	P000	100	1,000	3,750	8,000	20,000
Legal Fees	P000	40	400	1,500	3,200	8,000
Licence Fees	P000	360	1,620	3,600	4,950	10,800
Co. administration fees	P000	360	1,620	3,600	4,950	10,800
CAPTIVE INSURERS						
Premiums received	P000	0	100,000	300,000	600,000	900,000
Claim rates	%	40	40	40	40	40
Cumulative investment at book	Pm	0	60,000	240,000	600,000	1,140,000
Audit Fees	P000	0	150	450	900	1,350
Legal Fees	P000	0	25	75	150	225
Licence Fees	P000	0	100	250	450	600



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CAPTIVE MANAGEMENT Cos.

Management Fees	P000	0	500	1,500	3,000	4,500
Less Expenses:		0	475	1,040	1,785	2,800
Salaries		0	300	660	1,140	1,800
Overhead		0	150	330	570	900
Audit Fees			15	30	45	60
Legal Fees			10	20	30	40
Profit before tax		0	25	460	1,215	1,700
Taxation		0	4	69	182	255
Profit after tax		0	21	391	1,033	1,445

<u>No. of captives</u>		0	5	15	30	45
<u>No. of captive man. cos</u>		0	1	2	3	4
<u>No. of staff</u>	<u>Salary (P)</u>	0	4	9	16	25
Senior	150000	0	1	2	3	5
Junior	60000	0	2	5	10	15
Support	30000	0	1	2	3	5
No. of expats		0	1	2	3	5

INTERNATIONAL BANKS

Net interest margin & fees	P000	0.0	4,000.0	10,000.0	16,000.0	22,000.0
Interest on capital	P000	0.0	1,600.0	4,000.0	6,400.0	8,800.0
Less Expenses:		0.0	1,510.0	3,735.0	5,940.0	8,145.0
Salaries		0.0	860.0	2,150.0	3,440.0	4,730.0
Audit Fees		0.0	100.0	250.0	400.0	550.0
Legal Fees		0.0	40.0	100.0	160.0	220.0
Overhead		0.0	430.0	1,075.0	1,720.0	2,365.0
License Fees		0.0	80.0	160.0	220.0	280.0
Profit before tax	P000	0.0	4,090.0	10,265.0	16,460.0	22,655.0
Taxation	P000	0.0	613.5	1,539.8	2,469.0	3,398.3
Profit after tax	P000	0.0	3,476.5	8,725.3	13,991.0	19,256.8

<u>No. of intl. banks</u>		0	2	5	8	11
<u>No. of staff</u>	<u>Salary P</u>	0	10	25	40	55
Senior	250000	0	2	5	8	11
Junior	60000	0	4	10	16	22
Support	30000	0	4	10	16	22
No. of expats		0	2	5	8	11



**BOTSWANA IFSC
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International banking assets	Pm	0	400	1000	1600	2200
Gross return on assets excl. capital	%	1	1	1	1	1
Capital held against assets	%	4	4	4	4	4
Return on capital	%	10	10	10	10	10
Net return on assets	%	0	0.9	0.9	0.9	0.9

**BOTSWANA IFSC
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INVESTMENT SUPERVISORY COMMITTEE/ FINANCIAL SERVICES COMMISSION

Staff	Salary P.p.a.	Year 1	Year 2	Year 3	Year 4	Year 5
Secretary	450000	1	1	2	2	2
Junior	100000	2	3	5	7	10
Support	35000	1	2	2	3	3
Total Staff		4	6	9	12	15
Of which expatriates		1	1	2	2	2

License Fees Received

Funds

Domestic	20,000	20,000	15,000	25,000	40,000
Exempt	200,000	300,000	320,000	360,000	390,000
Exempt Foreign	150,000	255,000	375,000	510,000	660,000
Fund Administrators	10,000	15,000	20,000	15,000	25,000
Banks	0	80,000	160,000	220,000	280,000
Captive Insurers	0	100,000	250,000	450,000	600,000
International Companies	360,000	1,620,000	3,600,000	4,950,000	10,800,000
Total Income	740,000	2,390,000	4,740,000	6,530,000	12,795,000

Expenditure

Staff Costs	685,000	820,000	1,470,000	1,705,000	2,005,000
Overhead	75% 513,750	615,000	1,102,500	1,278,750	1,503,750
Operating Costs	1,198,750	1,435,000	2,572,500	2,983,750	3,508,750
Marketing & Development Costs	830,000	640,000	540,000	540,000	440,000
Committee Costs	50,000	50,000	50,000	50,000	50,000
TOTAL COSTS	2,078,750	2,125,000	3,162,500	3,573,750	3,998,750

Marketing

Brochure & promotional material	390,000	200,000	200,000	200,000	200,000
Conference attendance	30,000	30,000	30,000	30,000	30,000
Advertising in magazines	60,000	60,000	60,000	60,000	60,000
Travel	60,000	60,000	60,000	60,000	60,000
Botswana conference	90,000	90,000	90,000	90,000	90,000
Legislative Drafting	200,000	200,000	100,000	100,000	
Total	830,000	640,000	540,000	540,000	440,000



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APPENDIX D: JOB DESCRIPTION OF SECRETARY

Initial Title:	Investment Supervisory Committee Secretary (the Secretary)
Reporting responsibilities:	Directly to the I.S.C. To provide a conduit between the Minister of Finance and the various regulators. To provide a conduit between the various regulators and the private sector.
Ultimate responsibility:	Ultimately responsible for the development of Botswana as a quality offshore financial services centre through promotion of investment business.
Specific responsibilities:	<ul style="list-style-type: none">• to ensure that the establishment and development of Botswana as a financial services centre is implemented as planned and to liaise with the consultants that prepared the feasibility study as necessary;• to ensure that the appropriate infrastructure is in place in terms of communications, office space and accommodation, so that potential investors wanting to establish a place of business in Botswana are not frustrated;• to ensure that the appropriate legislation is drafted and passes through the legislative process in a timely fashion;• to sit on steering committees that are expected to be established for the monitoring, control and promotion of the various sectors of the offshore financial services industry;• to draw up and implement a detailed marketing plan and thereafter an action plan to include the following:<ul style="list-style-type: none">• harness existing marketing resources;• enlist private sector support;• complete a target list;• obtain media exposure;



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- print and distribute publications;
- attend offshore financial services conferences;
- hold an offshore financial services conference in Botswana.

Typical profile

It is envisaged that the profile of the candidate will be as follows:

- must have worked in a quality offshore financial services jurisdiction for at least five years and have been involved in the provision of offshore services;
- age is likely to be 35-45 years old;
- background will either be as an accountant, attorney or banker from the private sector or a financial services regulator from the public sector;
- salary expectation will be in the range of US\$ 150,000 - US\$ 200,00.



*Botswana
as an
International
Financial Services
Centre*

*Administrator's Office Annual/Operating Costs Notes
July 1995*



**BOTSWANA IFSC
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**BOTSWANA IFSC
 JULY 1995**

1. BERMUDA

1. Basic salaries
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 100 000 pa
 Senior Administrator at US\$ 50 000 pa
 Junior Administrator at US\$ 40 000 pa
 Secretary at US\$ 30 000 pa

2. Medical Aid Contribution
 The bank's contribution is 4.55% of the basic salary as per note 1

3. Pension Contribution
 The bank's contribution is 4.55% of salary.

4. Bonus Provision
 An annual bonus of US\$ 15 000 has been provided for.

5. Telephone
 Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 4 000	\$ 1 000

6. Lease
 All office equipment calculations are based on outright purchase.

Asset	Cost
	US\$
Fax machine	3 000
Photocopier	6 000
Computers	4 000
Furniture	10 000
Total	23 000

7. Insurance
 Insurance has been calculated at US\$ 10 000 including FSC insurance.

8. Stationery/Printing
 Usage has been estimated at US\$ 10 000 for the first year based on a similar operation taking into account initial set-up printing costs.

9. Office Rental
 Office rental has been calculated on a 100 sqm office of above average quality at \$ 26.67 per sqm. per month

10. Parking
 Parking cost is not applicable in Bermuda.

11. Cleaners
 Cleaning of the offices has been calculated at \$ 5.00 per sqm per month

12. Reuters
 The Reuters service has been estimated for the basic requirement for one work station

13. Entertainment
 An entertainment budget of \$ 5 000 has been estimated based on a similar operation



**BOTSWANA IFSC
JULY 1995**

14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 2 000 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle are not required on Bermuda.
19. Office Teas
Office teas have been estimated at \$ 166.67 per month



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2. BRITISH VIRGIN ISLANDS

1. Basic Salaries

The staff compliment is three consisting of:-
 Senior Manager at US\$ 80 000 pa
 Senior Administrator at US\$ 40 000 pa
 Junior Administrator at US\$ 25 000 pa
 Secretary at US\$ 25 000 pa

2. Medical Aid Contribution

The bank's contribution is 6.4% of the basic salary as per note 1

3. Pension Contribution

The bank's contribution is 6.4% of the basic salary as per note 1.

4. Bonus Provision

An annual bonus has been provided for as follows:-
 Senior Manager US\$ 10 000
 Senior administrator. US\$ 3 600
 Junior administrator US\$ 2 400

5. Telephone

Installation costs have been calculated for a small control unit/switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
US\$ 1 000	US\$ 2 000

Usage has been estimated at US\$ 2 500 per month based on a similar type of operation

6. Lease

All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 12.5% as follows:-

Asset	Monthly Lease Cost Annualised
	US\$
Fax Machine	905
Photocopier	1 525
Computers	9 655
Furniture	7 540
Total	22 625

7. Insurance

Insurance has been calculated at 0.2% of the value of the assets as per note 6

8. Stationery/Printing

Usage has been estimated at US\$ 8 000 for the first year based on a similar operation taking into account initial set-up printing costs

9. Office Rental

Office rental has been calculated on a 100 sqm office of the above average quality at US\$ 16.67 per sqm per month.

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10. Parking
 Parking has been calculated at US\$ 55.55 per bay per month for three bays

11. Cleaners
 Cleaning of the offices has been calculated at US\$ 2.08 per sqm. per month

12. Reuters
 The Reuters service has been estimated for the basic requirement for one work station

13. Entertainment
 An entertainment budget of US\$ 1 500 per month has been estimated based on a similar operation

14. Newspapers/Magazines
 This figure is based on two daily newspapers and three weekly financial magazine subscriptions

15. Licences
 Licenses have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.

16. Advertising
 Advertising has been estimated at US\$ 1 500 per month for basic advertising in newspapers and financial journals

17. Travel
 Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight

18. Motorcycle running expenses
 Motorcycle running expenses are not applicable ion BVI

**BOTSWANA IFSC
 JULY 1995**

3. CAYMAN ISLANDS

1. Basic Salaries

The staff compliment is three consisting of:-
 Senior Manager at US\$ 120 000 pa
 Senior Administrator at US\$ 45 000 pa
 Junior Administrator at US\$ 30 000 pa
 Secretary at US\$ 30 000 pa

2. Medical Aid Contribution

The bank's contribution is 5% of the basic salary as per note 1

3. Pension Contribution

The bank's contribution is 5% of the basic salary as per note 1.

4. Bonus Provision

An annual bonus has been provided for as follows:-
 Senior Manager US\$ 15 000
 Senior administrator. US\$ 5 400
 Junior administrator US\$ 3 600

5. Telephone

Installation costs have been calculated for a small control unit/switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
US\$ 1 000	US\$ 2 000

Usage has been estimated at US\$ 3 000 per month based on a similar type of operation

6. Lease

All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 12.5% as follows:-

Asset	Monthly Lease Cost Annualised
	US\$
Fax Machine	905
Photocopier	1 525
Computers	9 655
Furniture	7 540
Total	22 625

7. Insurance

Insurance has been calculated at 0.2% of the value of the assets as per note 6

8. Stationery/Printing

Usage has been estimated at US\$ 10 000 for the first year based on a similar operation taking into account initial set-up printing costs

9. Office Rental

Office rental has been calculated on a 100 sqm office of the above average quality at US\$ 20.00 per sqm per month.



**BOTSWANA IFSC
JULY 1995**

10. Parking
 Parking has been calculated at US\$ 300 per bay per month for three bays

11. Cleaners
 Cleaning of the offices has been calculated at US\$ 3.50 per sqm. per month

12. Reuters
 The Reuters service has been estimated for the basic requirement for one work station

13. Entertainment
 An entertainment budget of US\$ 1 500 per month has been estimated based on a similar operation

14. Newspapers/Magazines
 This figure is based on two daily newspapers and three weekly financial magazine subscriptions

15. Licences
 Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.

16. Advertising
 Advertising has been estimated at US\$ 2 000 per month for basic advertising in newspapers and financial journals

17. Travel
 Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight

18. Motorcycle running expenses
 Motorcycle running expenses are not applicable in Cayman Islands.

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JULY 1995

4. DUBLIN

1. **Basic salaries**
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 72 000 pa
 Senior Administrator at US\$ 28 800 pa
 Junior Administrator at US\$ 19 200 pa
 Messenger at US\$ 12 000 pa

2. **Medical Aid Contribution**
 The bank's contribution is US\$ 1 600 for the manager only.

3. **Pension Contribution**
 The bank's contribution is 10% of salary as per note 1.

4. **Bonus Provision**
 An annual bonus has been provided for as follows:-
 Senior Manager US\$ 8 000
 Senior Administrator US\$ 2 800
 Junior Administrator US\$ 1 200
 Messenger US\$ 800

5. **Telephone**
 Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 8 000 (equipment)	\$ 16 per month
\$ 160 per line	

6. **Lease**
 All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit as follows:-

Asset	Cost US\$	Monthly lease cost annualised US\$
Fax machine	1 600	520
Messengers M/C	3 200	1 040
Photocopier	9 600	3 110
Computers:-		
3 Desktop Pcs	8 000	2 592
1 File server	5 000	1 620
1 Laser Printer	1 600	518
Furniture:-		
4 workstations	11 200	3 236
Kitchen utensils etc.	1 200	392
Total	41 400	13 028

7. **Insurance**
 Insurance has been estimated for a similar operation.

8. **Stationery/Printing**
 Usage has been estimated at US\$ 3 200 for the first year based on a similar operation taking into account initial set-up printing costs.

9. **Office Rental**
 Office rental has been calculated on a 100 sqm office of above average quality at \$ 27.00 per sqm. per month

10. **Parking**
 Parking has been calculated at \$133.33 per bay per month for three bays

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11. Cleaners
Cleaning of the offices has been calculated at S 0.67 per sqm per month
12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of S 1 600 has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences are not required in Dublin.
16. Advertising
Advertising has been estimated at S800 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at S 66.67 per month

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5. GIBRALTAR

1. **Basic salaries**
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 60 000 pa
 Senior Administrator at US\$ 45 000 pa
 Junior Administrator at US\$ 22 500 pa
 Messenger at US\$ 10 000 pa

2. **Medical Aid Contribution**
 The bank's contribution is 100% of the total cost and has been calculated at 2 % of the basic salary as per note 1

3. **Pension Contribution**
 The bank's contribution is 5% of basic salary as per note 1.

4. **Bonus Provision**
 An annual bonus has been provided for as follows:-
 Senior Manager \$ 3 000
 Senior Administrator \$ 2 250
 Junior Administrator \$ 400
 Messenger \$ 200

5. **Telephone**
 Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 300	\$ 100 per month

6. **Lease**
 All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 12% as follows:-

Asset	Cost US\$	Monthly lease cost annualised US\$
Fax machine	1 000	260
Messengers M/C	1 500	390
Photocopier	1 500	390
Computers:-		
3 Desktop Pcs	4 500	1 170
1 File server	2 000	520
1 Laser Printer	600	156
Furniture:-		
4 workstations	2 400	624
Kitchen utensils etc.	800	209
Total	14 300	3 718

7. **Insurance**
 Insurance has been calculated at 3% of the value of the assets as per note 6

8. **Stationery/Printing**
 Usage has been estimated at US\$ 1 200 for the first year based on a similar operation taking into account initial set-up printing costs.

9. **Office Rental**
 Office rental has been calculated on a 100 sqm office of above average quality at \$ 20.00 per sqm. per month

10. **Parking**
 Parking has been calculated at \$90 per bay per month for three bays

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**BOTSWANA IFSC
JULY 1995**

11. Cleaners
Cleaning of the offices has been calculated at \$ 2 00 per sqm per month
12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of \$ 3 000 has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 1 000 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at \$ 25 per month

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6. GUERNSEY, CHANNEL ISLANDS

1. **Basic salaries**
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 64 340 pa
 Senior Administrator at US\$ 32 170 pa
 Junior Administrator at US\$ 19 302 pa
 Messenger at US\$ 20 910 pa

2. **Medical Aid Contribution**
 The bank's contribution is 3.75% of the total cost and has been calculated at US\$ 5 126 of the basic salary as per note 1

3. **Pension Contribution**
 The bank's contribution is \$13 080 (state pension contribution \$ 5 360. Personal pension plan on Senior Manager and Senior Administrator at 8% of salary)

4. **Bonus Provision**
 An annual bonus has been provided for as follows:-
 Senior Manager 10% - \$ 6 434
 Senior Administrator 5% - \$ 1 609
 Junior Administrator 5% - \$ 965
 Messenger 3% - \$ 627

5. **Telephone**
 Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 730	\$ 1 145

6. **Lease**
 All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 7.25% as follows:-

Asset	Cost US\$	Monthly lease cost annualised US\$
Fax machine	3 217	869
Messengers M/C	4 826	1 303
Photocopier	6 434	1 737
Computers:-		
3 Desktop Pcs	11 581	3 127
1 File server	7 238	1 954
1 Laser Printer	2 091	564
Furniture:-		
4 workstations	4 826	1 304
Kitchen utensils etc.	3 217	868
Total	43 430	11 726

7. **Insurance**
 Insurance has been calculated at 3% of the value of the assets as per note 6

8. **Stationery/Printing**
 Usage has been estimated at US\$ 3 378 for the first year based on a similar operation taking into account initial set-up printing costs.

9. **Office Rental**
 Office rental has been calculated on a 100 sqm office of above average quality at \$ 32.17 per sqm, per month

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10. Parking
Parking has been calculated at \$134 per bay per month for three bays
11. Cleaners
Cleaning of the offices has been calculated at \$ 2 09 per sqm per month
12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of \$ 1 609 has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 134 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at \$ 137 per month

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7. ISLE OF MAN

1. **Basic salaries**
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 70 000 pa
 Senior Administrator at US\$ 32 000 pa
 Junior Administrator at US\$ 24 000 pa
 Secretary (2) at US\$ 18 000 pa each
2. **Medical Aid Contribution**
 The bank's contribution is US\$ 775 per person.
3. **Pension Contribution**
 The bank's contribution is 10% of basic salary as per note 1.
4. **Bonus Provision**
 An annual bonus has been provided for at 15% of basic salary as per note 1
5. **Telephone**
 Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 775	\$ 3 100

6. **Lease**
 All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, as follows:-

Asset	Monthly lease cost annualised
	US\$
Fax machine	310
Managers Car	8 525
Photocopier	1 550
Computers	3 875
Furniture	1 550
Total	15 810

7. **Insurance**
 Insurance has been calculated at the minimum charge.
8. **Stationery/Printing**
 Usage has been estimated at US\$ 3 100 for the first year based on a similar operation taking into account initial set-up printing costs.
9. **Office Rental**
 Office rental has been calculated on a 100 sqm office of above average quality at \$ 15.50 per sqm. per month
10. **Parking**
 Parking has been calculated at \$ 109.78 per bay per month for five bays.
11. **Cleaners**
 Cleaning of the offices has been calculated at \$ 1.29 per sqm per month
12. **Reuters**
 The Reuters service has been estimated for the basic requirement for one work station
13. **Entertainment**
 An entertainment budget of \$ 15 500 has been estimated based on a similar operation

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14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 968.75 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at \$ 64.58 per month

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8. LABUAN

1. **Basic salaries**
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 60 000 pa
 Senior Administrator at US\$ 25 000 pa
 Junior Administrator at US\$ 15 000 pa
 Messenger at US\$ 3 500 pa
2. **Medical Aid Contribution**
 The bank bears the full costs of medical expenses estimated at US\$ 8 000 pa.
3. **Pension Contribution**
 The bank's contribution is 12% of basic salary as per note 1
4. **Bonus Provision**
 An annual bonus has been provided for equal to two months salary as per note 1
5. **Telephone**
 Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 130	\$ 540

6. **Lease**
 All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 6.5% as follows:-

Asset	Cost US\$	Monthly lease cost annualised US\$
Fax machine	3 600	360
Messengers M/C	2 160	432
Photocopier	7 200	1 440
Computers:-		
3 Desktop PC's	11 040	2 208
1 File server	37 200	7 440
1 Laser Printer	2 400	480
Furniture:-		
4 workstations	5 280	1 056
Kitchen utensils etc.	480	96
Total	66 960	13 512

7. **Insurance**
 Insurance has been calculated at 8% of the value of the assets as per note 6
8. **Stationery/Printing**
 Usage has been estimated at US\$ 960 for the first year based on a similar operation taking into account initial set-up printing costs.
9. **Office Rental**
 Office rental has been calculated on a 100 sqm office of above average quality at \$ 21.52 per sqm. per month
10. **Parking**
 Parking is free at the moment
11. **Cleaners**
 Cleaning of the offices has been calculated at \$ 1.10 per sqm per month

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12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of \$ 14 400 has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 200 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at \$ 71.67 per month

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9. LUXEMBOURG

1. **Basic salaries**
The staff compliment is four consisting of:-
Senior Manager at US\$ 82 870 pa
Senior Administrator at US\$ 49 720 pa
Junior Administrator at US\$ 37 290 pa
Messenger at US\$ 26 930 pa

2. **Medical Aid Contribution**
The bank's contribution is 50% of the total cost and has been calculated at 2.575% of the basic salary as per note 1

3. **Pension Contribution**
The bank's contribution is 9.7% the employees salary

4. **Bonus Provision**
An annual bonus has been provided for as follows:-
Senior Manager US\$ 16 575
Senior Administrator US\$ 4 143
Junior Administrator US\$ 3 107
Messenger US\$ 2 245

5. **Telephone**
Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
US\$ 1 725	US\$ 3 450

6. **Lease**
All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 7.25% as follows:-

Asset	Monthly lease cost annualised
	US\$
Fax machine	1 035
Messengers M/C	2 070
Photocopier	8 290
Computers	4 145
Furniture	3 450
Total	18 990

7. **Insurance**
Insurance has been calculated at 11% of the value of the assets as per note 6

8. **Stationery/Printing**
Usage has been estimated at US\$ 4 140 for the first year based on a similar operation taking into account initial set-up printing costs.

9. **Office Rental**
Office rental has been calculated on a 100 sqm office of above average quality at \$ 25.90 per sqm, per month

10. **Parking**
Parking has been calculated at \$115 per bay per month for three bays

11. **Cleaners**
Cleaning of the office, has been calculated at \$ 140 per sqm per month



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12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of \$ 9 945 has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 1 381 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at \$ 200 per month

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10. MALTA

1. **Basic Salaries**
The staff complement is four consisting of:-
Senior Manager at US\$ 45 000 pa
Senior Administrator at US\$ 30 000 pa
Junior Administrator at US\$ 21 000 pa
Messenger at US\$ 7 500 pa
2. **Medical Aid Contribution**
The bank's contribution is nil.
3. **Pension Contribution**
The bank's contribution is 16.67%
4. **Bonus Provision**
No annual bonus has been provided for.
5. **Telephone**
Installation costs have been calculated for a small control unit/switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$300	\$300

6. **Lease**
All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 8.5% as follows:-

Asset	Cost US\$	Monthly lease cost annualised US\$
Fax machine	1 000	246
Messengers M/C	7 000	1 723
Photocopier	3 000	738
Computers:-		
3 Desktop PC's	4 500	1 107
1 File server	6 000	1 477
1 Laser Printer	1 000	246
Furniture		
4 workstations	4 500	1 107
Kitchen utensils etc.	300	74
Total	27 300	6 718

7. **Insurance**
Insurance has been calculated at 1% of the value of the assets as per note 6
8. **Stationery/Printing**
Usage has been estimated at \$ 3 000 for the first year based on a similar operation taking into account initial set-up printing costs
9. **Office Rental**
Office rental has been calculated on a 100 sqm office of above average quality at \$10 sqm per month
10. **Parking**
Parking has been calculated at nil per bay per month for three bays
11. **Cleaners**
Cleaning of the offices has been calculated at \$1 per sqm, per month

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- 12. Reuters
Not available
- 13. Entertainment
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
- 15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
- 16. Advertising
Advertising has been estimated at \$ 300 per month for basic advertising in newspapers and financial journals
- 17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
- 18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
- 19. Office Teas
Office teas have been estimated at \$ 30 per month

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11. MAURITIUS

1. **Basic Salaries**
The staff compliment is four consisting of:-
Senior Manager at US\$ 60 000 pa
Senior Administrator at US\$ 15 000 pa
Junior Administrator at US\$ 7 500 pa
Messenger/Typist at US\$ 8 000 pa.
2. **Medical Aid Contribution**
The bank's contribution is 0.67% of the basic salary as per note 1
3. **Pension Contribution**
The bank's contribution is US\$ 8 500
4. **Bonus Provision**
An annual bonus has been provided for as follows:-
Senior Manager US\$ 12 000
Senior administrator US\$ 2 500
Junior administrator US\$ 400
Messenger US\$ 250
Typist US\$ 350
5. **Telephone**
Installation costs have been calculated for a small control unit/switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
US\$ 720	US\$ 515

Usage has been estimated at US\$ 1 250 per month based on a similar type of operation
6. **Lease**
All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 12.5% as follows:

Asset	Monthly Lease Cost Annualised
	US\$
Fax Machine	250
Messengers M/C	1 130
Photocopier	7 00
Computers	2 255
Furniture	380
Total	4 715
7. **Insurance**
Insurance has been calculated at 1% of the value of the assets as per note 6
8. **Stationery/Printing**
Usage has been estimated at US\$ 1 000 for the first year based on a similar operation taking into account initial set-up printing costs
9. **Office Rental**
Office rental has been calculated on a 100 sqm office of the above average quality at US\$ 10.00 per sqm per month.
10. **Parking**
Parking has been calculated at US\$ 30 per bay per month for three bays.
11. **Cleaners**
Cleaning of the offices has been calculated at US\$ 1.50 per sqm. per month

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JULY 1995**

- 12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
- 13. Entertainment
An entertainment budget of US\$ 125 per month has been estimated based on a similar operation
- 14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
- 15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
- 16. Advertising
Advertising has been estimated at US\$ 500 per month for basic advertising in newspapers and financial journals
- 17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
- 18. Motorcycle running expenses
Motorcycle running expenses are not applicable in Cayman Islands.
- 19. Office Teas
Office teas have been estimated at US\$ 25.00 per month.

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12. VANUATU

1. Basic Salaries
The staff compliment is four consisting of:-
Senior Manager at US\$ 60 000 pa
Senior Administrator at US\$ 40 000 pa
Junior Administrator at US\$ 10 000 pa
Messenger at US\$ 5 000 pa
2. Medical Aid Contribution
The bank's contribution is US\$ 250 per person salary as per note 1
3. Pension Contribution
The bank's contribution is 3% of basic salary as per note 1
4. Bonus Provision
No annual bonus has been provided for
5. Telephone
Installation costs have been calculated for a small control unit/switchboard with 6 lines and four extensions as follows:-

Installation costs		Rental costs
US\$ 200		US\$ 30 per month per line
6. Lease
All office equipment calculations are based on cash price leases not available.

Asset	Cost
	US\$
Fax machine	2 125
Messengers M/C	6 000
Photocopier	5 750
Computers:-	9 750
Furniture:-	
Workstations	1 150
Kitchen utensils etc.	100
Total	24 875
7. Insurance
Insurance has been calculated at 5% of the value of the assets as per note 6
8. Stationery/Printing
Rates vary according to services sought, generally competitive with other countries. estimate US\$ 3 000
9. Office Rental
Office rental has been calculated on a 100 sqm office of above average quality at US\$ 16 sqm. per month
10. Parking
Not applicable.
11. Cleaners
Cleaning of the offices has been calculated at 89c per hour
12. Reuters
The Reuters service has been estimated for the basic requirement for one work station at US\$ 3 500 for
13. Entertainment
An entertainment budget of US\$ 300 per month has been estimated based on a similar operation



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14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operation licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at US\$ 500 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at US\$ 50 per month

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13. SOUTH AFRICA

1. **Basic Salaries**
 The staff compliment is four consisting of:-
 Senior Manager at US\$ 65 750 pa
 Senior Administrator at US\$ 26 300 pa
 Junior Administrator at US\$ 14 795 pa
 Messenger at US\$ 8 220 pa

2. **Medical Aid Contribution**
 The bank's contribution is 50% of the total cost and has been calculated at 2.5% of the basic salary as per note 1

3. **Pension Contribution**
 The bank's contribution is equal to the staff members contribution i.e. 7% of the basic salary as per note 1.

4. **Bonus Provision**
 An annual bonus has been provided for as follows:-
 Senior Manager 20% of basic salary i.e. US\$ 13 150
 Senior administrator one month's salary i.e. US\$ 2 192
 Junior administrator one month's salary i.e. US\$ 1 233
 Messenger one month's salary US\$ 685

5. **Telephone**
 Installation costs have been calculated for a small control unit/switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
US\$ 64 for first line	US\$ 11 monthly per line
US\$ 58 for every subsequent line	US\$ 5 monthly per extension
US\$ 23 per extension	US\$ 48 for control unit/switchboard
US\$ 139 small control unit/switchboard	

Usage has been estimated at US\$ 1 370 per month based on a similar type of operation

6. **Lease**
 All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate i.e. 17.5% as follows:-

Asset	Cost	Monthly Lease Cost Annualised
	US\$	US\$
Fax Machine	822	248
Messengers M/C	4 110	1 240
Photocopier	6 575	1 982
Computers:-		
3 Desktop PCs	5 343	1 610
1 File server	1 110	1 240
1 Laser Printer	1 233	373
Furniture:-		
4 Workstations	5 480	1 652
Kitchen utensils etc.	1 370	414
Total	28 043	8 759

7. **Insurance**
 Insurance has been calculated at 0.5% of the value of the assets as per note 6

8. **Stationery Printing**
 Usage has been estimated at US\$ 3 288 for the first year based on a similar operation taking into account initial set-up printing costs

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9. Office Rental
Office rental has been calculated on a 100 sqm office of the above average quality at US\$ 8.22 per month
10. Parking
Parking has been calculated at US\$ 82 per bay per month for three bays
11. Cleaners
Cleaning of the offices has been calculated at US\$ 1 per sqm. per month
12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of US\$ 410 per month has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at US\$ 548 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at US\$ 70 per month

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14. BOTSWANA

1. Basic salaries
The staff compliment is four consisting of:-
Senior Manager at US\$ 70 000 pa
Senior Administrator at US\$ 35 000 pa
Junior Administrator at US\$ 25 000 pa
Messenger at US\$ 6 500 pa

2. Medical Aid Contribution
The bank's contribution is 10% US 3 650

3. Pension Contribution
The bank's contribution is 10% of basic salary i.e. US\$ 13 650

4. Bonus Provision
An annual bonus has been provided for as follows:-
Senior Manager US\$ 8 460
Senior Administrator US\$ 2 917
Junior Administrator US\$ 2 083
Messenger US\$ 540

5. Telephone
Installation costs have been calculated for a small control unit/Switchboard with 6 lines and four extensions as follows:-

Installation costs	Rental costs
\$ 2 000	\$ 2 000

6. Lease
All office equipment calculations are based on a standard lease agreement calculated over 60 months, with no deposit, at prime rate as follows:-

Asset	Cost US\$	Monthly lease cost annualised US\$
Fax machine	1 068	322
Messengers M/C	5 343	1 612
Photocopier	8 548	2 576
Computers:-		
3 Desktop Pcs	5 446	2 093
1 File server	5 343	1 612
1 Laser Printer	1 603	485
Furniture:-		
4 workstations	7 124	2 148
Kitchen utensils etc.	1 781	537
Total	36 456	11 385

7. Insurance
Insurance has been calculated at 5.2% of the value of the assets as per note 6

8. Stationery/Printing
Usage has been estimated at US\$ 4 275 for the first year based on a similar operation taking into account initial set-up printing costs.

9. Office Rental
Office rental has been calculated on a 100 sqm office of above average quality at \$ 16 21 per sqm, per month

10. Parking
Parking has been calculated at \$161 per bay per month for three bays

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11. Cleaners
Cleaning of the offices has been calculated at \$ 1.25 per sqm per month
12. Reuters
The Reuters service has been estimated for the basic requirement for one work station
13. Entertainment
An entertainment budget of \$ 5 000 has been estimated based on a similar operation
14. Newspapers/Magazines
This figure is based on two daily newspapers and three weekly financial magazine subscriptions
15. Licences
Licences have been estimated taking into account operating licences, hoarding licences, motorcycle licence, etc.
16. Advertising
Advertising has been estimated at \$ 541 per month for basic advertising in newspapers and financial journals
17. Travel
Travel includes petrol reimbursement for business travel of staff members as well as 10 domestic return flights and one international return flight
18. Motorcycle running expenses
Motorcycle running expenses have been based on a standard 250cc motorcycle including all fuel, tyres and maintenance
19. Office Teas
Office teas have been estimated at \$ 83 per month

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