

Bermuda is bidding for LatAm business

Appleby and Bermuda are optimistic about the future of Latin American captives. Eduardo Fox explains



How is Latin America shaping up as a source of business for Bermuda?

The market has developed quite significantly and is now accelerating. However, Brazil is currently 'closed' to the international reinsurance market. Bermuda does have a signed tax information exchange agreement (TIEA) with Brazil but that is not in effect yet. Brazil is currently undergoing a political adjustment as its first priority, but we are continuing negotiations with the Brazilian authorities of the newly implemented and pro-business regime and we are hoping for a happy resolution in 2017.

Latecomers to the market such as Peru and Chile, and returners or redomicilers such as Argentina and Panama, continue to form new captives and other similar, or more commercial, reinsurance companies. Based on information from sources at Appleby, the Bermuda Monetary Authority (BMA), some members of the Bermuda Insurance Management Association (BIMA) and Bermuda Business Development Agency (BDA), a third of all captives incorporated in Bermuda in 2013 and then 2015 and 2016 had a Latin American origin.

The parent companies were some of the largest in their own countries—mainly from the fields of natural resources and energy distribution—but also within the client banking and telecommunications areas, which clearly shows quality over just quantity.

Which countries in Latin America are forming the most captives?

By far Colombia and Mexico, in that order, but as a result of the latest business development by Bermuda as a whole, we should see a very healthy increase over the already exponentially growing market in 2017 and beyond.

We are not only seeing and working on new captive formation, but we have also seen already-formed captives relocating to Bermuda from several offshore jurisdictions in the Southern Atlantic and Western Europe, including those based in the Mediterranean. These captives are cashing in on Bermuda's reputation, highly developed regulatory environment and established international treaties.

Is regulation a big factor holding back Latin America?

We see the high regulation in those markets not as a problem but as an opportunity to assist in bringing such clientele up to a higher mark of sophistication and competitiveness within the overall international community.

Of course it hasn't been easy, but Bermuda has been very patient and thorough in its business development to the whole of Latin America. Contrary to some belief, Latinos do have cultural differences, particularly political and economic and, rightly so, we have had to learn and adapt.

Connections with the main regulatory bodies in those countries, through various Bermuda government administrations, have given Bermuda a distinct advantage over all other offshore jurisdictions. This has greatly helped our clientele in the region, through many business development visits, educational seminars and presentations, and the regular flow of key legal and financial information, to and from their countries. So, yes, several but very methodical steps have been taken, as we continue learning the business culture and staying a step ahead of regulatory environment changes. We witnessed the

major tax and energy reforms in Mexico and Colombia and political/economical transformations in Argentina, Brazil, Peru and Chile, which we adjusted to rapidly and well.

What other challenges is Latin America facing?

Consistent studies and analyses of the potential effects of the constantly moving regulatory environment have allowed us to stay a step ahead, and make us current in adapting to any newly established reporting systems, greatly assisting us in advising our Latin American clientele. For example, we have clients under the Foreign Account Tax Compliance Act, Solvency II and common reporting standards, for which international governments throughout the world give Bermuda very high marks and recognition.

What does the future hold for Latin America?

The Colombian and Mexican markets are growing exponentially, so we expect big things from them in the foreseeable future. I recently visited Bermuda after two consecutive business development trips in late January and mid-February, first to Florida and then Mexico. I noted polite interest from potential Latin American clientele, and actual direct instructions to begin the formation of captives from multiple Latin American companies based in Mexico and South America.

There is also Argentina, Peru and Chile, which are all experiencing economic and political revivals, with the latter two now having incorporated their first captives, both in Bermuda, and Argentina reopening its business environment globally following the election of a pro-business president and cabinet.

For example, Argentina has put its TIEA with Bermuda into effect, meaning that unlike simply signed ones, all mutual benefits agreed by both countries under the treaty are officially and immediately exercised. It took only until the latest change in that country's government for Bermuda to form its first Argentinean captive.

We expect this to be only the beginning of a new era for Latin American captives due to Bermuda's constant innovation, vigilance and adaptation to the ever-changing international regulatory environment. As you can see, we at Appleby and Bermuda are very optimistic about the future of the Latin American captive and overall reinsurance market. **CIT**

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