MOSSACK FONSECA For further information or advice, please contact:


## JURISDICTIONS


**BAHAMAS**
Suite E-2, Union Court Building, Elizabeth Avenue and Shirley Street, Nassau, Bahamas
T (242) 322-7601
F (242) 322-5807 / 325-3583
E bahamas@mossfon.com

**BRITISH ANGUILLA**
Quantum Building, Office No.29, Caribbean Commercial Centre, The Valley, Anguilla.
P O Box I4102
T (264) 498 7777
F (264) 497 3727
E britishanguilla@mossfon.com

**BRITISH VIRGIN ISLANDS**
Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Tortola, British Virgin Islands VG1110
P.O. Box: Road Town, Tortola, British Virgin Islands VG1110
T (284) 494-4840 / 494-4976,
F (284) 494-4841 / 494-5884
E general@mossfon-bvi.com

**PANAMA**
Mossfon Building 54th Street, P.O. Box 0832-0886, W.T.C. Panama, Republic of Panama
T (507) 205-5888 / 264-2322
F (507) 263-9218
E mf@mossfon.com

**SEYCHELLES**
Suite 13, First Floor, Oliaji Trade Centre, Francis Rachel Street, Victoria Mahe, Seychelles
T (248) 324866
F (248) 324867
E seychelles@mossfon.com

**SAMOA**
Level 5, Development Bank of Samoa Building, Beach Road Apia, Samoa
T (685) 32684
F (685) 32683
E samoa@mossfon.com


## GLOBAL OFFICES


**EUROPE**

**CYPRUS**
T (357) 25 339 280
F (357) 25 339 316
E cyprus@mossfon.com

**CZECH REPUBLIC**
T (420) 2 2609 1125
F (420) 2 2609 1100
E mossfon@mossfon.cz

**GENEVA**
T (41-22) 809-5020
F (41-22) 809-5030
E geneva@eu.mossfon.com

**ISLE OF MAN**
T (44) 1624 679375
F (44) 1624 628436
E IOM@mossfon.com

**JERSEY**
T (44-1534) 767009
F (44-1534) 780673
E jersey@mossfon.je

**LIECHTENSTEIN**
T (423) 230-1750
F (423) 230-1751
E liechtenstein@mossfon.com

**LATIN AMERICA**

**BRAZIL**
T (55) 11 3284-3143
F (55) 11 3251-4222
E brazil@mossfon.com

**BOQUETE - PANAMA**
T (507) 720-2256 / 720-1744
F (507) 720-1422
E boquete@mossfon.com

**GUATEMALA**
T (502) 2362-1313 / 2383-6000
F (502) 2361-3317
E mossfon@gua.net

**PERU**
T (51) 1 422-2906
F (51) 1 441-9579
E peru@mossfon.com

**URUGUAY**
T (598-2) 916-0588
(598-2) 916-0589
F (598-2) 916-0642
E uruguay@mossfon.com

**VENEZUELA**
T (58) 212 992-6155
F (58) 212 992-1812
E jalmeida@cantv.net

**ASIA**

**HEADQUARTERS**
T (852) 2376-1998
2376-2485
F (852) 2376-0308
E hongkong@mossfon.com.hk

**HONG KONG**
**BEIJING**
**DA LIAN**

**CHENGDU**
**HANGZHOU**
**NANJING**
**NINGBO**
**QINGDAO**
**SHANGHAI**
**SHENZHEN**
**SINGAPORE**
T (65) 6 221 0592
F (65) 6 221 0591
E singapore@mossfon.com.sg

**THAILAND**
T (662) 636-3100
F (662) 636-3110
E thailand@mossfon.com

**UNITED ARAB EMIRATES**
T (971-4) 352 5303
F (971-4) 351 9877
E mossfon.@hmlc.co.ae

**CORRESPONDENT OFFICE**

**VANCOUVER**
T (604) 688-3931
F (604) 688-2921
E vancouver@mossfon.com




THE MOSSFON REPORT


Mossack Fonseca & Co.
Attorneys at Law
0832 - 0886 W.T.C.
Panama, Rep. of Panama


Air Mail | Correo Aéreo




# THE MOSSFON REPORT

MOSSACK FONSECA

Legal and current affairs in The Bahamas, British Anguilla, the British Virgin Islands, Panama, Samoa and Seychelles.


PANAMA

## Panama Reduces Risks for Future Investments

Many factors confirm that the Panamanian economy is very attractive to national and foreign investors, including its historical macroeconomic stability, stable financial system, moderate debt service needs, fully dollarized economy and the government's considerable financial and land assets.

Based on these criteria, the credit rating agency Fitch Ratings, recently raised Panama's rating to BB+ which indicates a high potential for speculative investment because the country's fully dollarized economy rates the value of foreign and local currency equally. Other principal factors include the jurisdiction's strong developing credit track record which reflects economic growth at 8% over the past two years, which now translates to averages of 7.2% over the last five years to year-end 2007.

Venezuela is the only Latin American/Caribbean country rated by Fitch that tops Panama in GDP increase, and other countries that share the same BB+ Fitch rating as Panama are: Brazil, Colombia, El Salvador, Guatemala and Peru.

Panama's Fitch BB+ current rating indicates that a credit risk could arise because Panama's main credit weakness continues to be its high level of government debt which could increase due to the Panama Canal expansion project, but current indicators reflect that continuing solid financial and business fiscal discipline should dilute that possibility as Panama benefits from the income yield by the Canal project and reverted areas (which are significant for tax revenues), while that project moves forward.

In summary, Fitch hopes that the trend in public finance growth in Panama will remain solid and steady.

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BRITISH ANGUILLA

## Anguilla Chamber of Commerce and Industry Holds Annual Meeting

The Anguilla Chamber of Commerce and Industry (ACOCI) met earlier this year for its Annual General Meeting and the results of its Business Survey.

ACOCI's Executive Director, Calvin Bartlett, reported on 2007 events noting that the Chamber has gained a wealth of experience and that overseas visits and international recognition has put Anguilla on the global stage and benefits both the island and the Chamber. He said the members are the lifeline of Anguilla's economy and they must tackle any issues that threaten the island's social and economic development.

Mr. Bartlett said: "In the following year we will continue to communicate with our members, strengthen our alliances, build relationships with other organizations and work to collaborate on projects that will better our region and local economy."

He also outlined three major proposals for 2008 namely: (1) A-SEED (Anguilla Start up Enterprise Economic Development), a program to support young entrepreneurs; (2) a better service to members with a state-of-the-art interactive website; and (3) continuation and expansion of training for both members and the business community.

ACOCI's President, John Benjamin, spoke of Anguilla's success and the difficulties of maintaining its reputation and high standards. He urged members to mentor the island's young people and to assist authorities in fighting crime.

The guest speaker at the AGM was Luesette Howell, Senior Specialist for Employers' Activities at the sub-regional office for the Caribbean of the International Labour Organisation (ILO). She talked about the importance of globalization to remain competitive and spoke of the Caribbean Single Market and Economy (CSME) where businesses are preparing to compete in a broader global market, noting that: "If we do not get our business right, we will be right out of business." She also said that ACOCI members have already participated in several ILO technical cooperation programs and that the ILO will continue assisting the Chamber and its business members.

The meeting also recognized volunteers who work for ACOCI by presenting them with glass plaques. They were Sheryl Lavvarn, Catherine Rieman, Valerie Zaharia, Penny Legg and Melinda Goddard.

BRITISH VIRGIN ISLANDS

## O'Neal Announces 2008 BVI Government Budget

BVI's Premier and Minister of Finance Ralph O'Neal announced in his 2008 budget speech that the government will aim to further strengthen new initiatives and regulation of its paramount financial services industry with minimum disruption for businesses there, to ensure compliance with international standards regarding money laundering, terrorism financing and dealing with proceeds from criminal activity.

Mr. O'Neal told the Assembly as his budget address "the financial services sector in this territory has done well over the years, notwithstanding having had to weather many onslaughts to the regulatory regime which governs it" and he explained that a new strategy for the local regulator had already been approved for 2008.

He also said the BVI would inaugurate legislation to regulate the handling and distribution of money in the jurisdicton and assured the Assembly that these procedures will not impose burdensome reporting requirements, saying: "I would like to be very clear in stating that all these provisions are aimed at minimizing disruptions to businesses in the territory that are seeking to effect legitimate transactions, and ensuring that our regulatory regime is compliant with international anti-money laundering and anti-terrorism financing standards", adding: "We believe that it is vital, that this jurisdiction be recognized as a no mans land for the ethically challenged, and bearing in mind the fact that we are the largest incorporator of companies in the world, we must ensure that our product is second to none."

The Premier also announced that comprehensive, streamlined immigration reform will be a priority in 2008 with a view to creating a "one-stop process" for obtaining entry permits and work permits while ensuring that all legislation complies with international laws, human rights and other conventions.

Mr. O'Neal also outlined plans for cutbacks in the civil service sector which currently accounts for 30% of the working population and cost tax payers in excess of US$248 million last year.

The Premier was optimistic about continued strong growth in the jurisdiction's wider economy and noted estimates that value GDP at more than US$1.1 billion in 2007 which indicates a solid growth rate of 9.5%.

BAHAMAS

## Financial Services 'Handicapped' if EPA Not Signed

In statements to The Tribune, Raymond Winder, managing partner at Deloitte & Touche (Bahamas) who is also deputy chair of the Bahamas Trade Commission, said that joining the Economic Partnership Agreement (EPA) and other trade treaties will compel the Bahamas to remodel its economy and address outdated immigration policies that hinder growth in sectors such as its financial services industry.

He believes that the Bahamas' continued reluctance to allow foreign attorneys and accountants to practice there is damaging the economy while their Caribbean competitors like Bermuda and Cayman, and now Barbados, are surpassing the Bahamas and leaving it behind in the international financial services field. He also believes that the EPA could help their financial services industry through its requirements for a more liberalised immigration policy, even if the changes were slight, and would formulate clear rules regarding business; he also noted that Trade bloc membership will protect the Bahamas against attacks similar to that by the OECD in 2000.

Mr. Winder told The Tribune "If the Bahamas finds itself in a position where it can't sign the EPA today, we might as well understand that our growth in the financial services industry is going to be significantly hampered, because of all these issues and problems handicapping us for the past 20 years." He added: "Bahamian lawyers and accountants must come to the realisation that to continue to grow in our financial services sector, we must be prepared to allow foreign lawyers and accountants into our industry, because they bring specialist skills not available in the Bahamas."

With the EPA and other trade agreements likely to follow, Mr. Winder urged Bahamian businesses to lift their sights beyond local borders and instant profits and "become more creative and innovative" in pursuing growth within the Caribbean as otherwise, many would confront being "swallowed up" over time by companies from other Caribbean jurisdictions like Trinidad, Jamaica and Barbados, many of which are already present in the Bahamas through minority stakes in Bahamian firms.

SAMOA

## Switch Bill Sails Through

Samoa's controversial Road Transport Reform Bill 2008, which has been the subject of two protest marches and stinging public debate, received its third reading in Parliament recently and only now requires the signature of the Head of State to become law.

The bill will change the side of the road for vehicles to travel on, and is intended to increase opportunities for vehicle ownership for many residents who currently don't own them. Prior to the transition phase for the switch, and considering safety issues, in February this year Samoa readmitted RHDs (right-hand drive vehicles), and the new law will give the majority of residents the chance to receive RHD vehicles from relatives in New Zealand and Australia and will also allow both the general public and business operators the opportunity to import vehicles direct from Japan which is cheaper.

Initially the transition was intended to start in July this year but government has extended the transition date to the second half of next year.

Opponents to the bill predict that many road deaths will result from the switch, and that direct and indirect costs to the economy, including the State, the business sector, the community and left-hand-drive vehicle owners, will range from $790 million to in excess of $1 billion. Government views those figures as excessive, and Prime Minister Tuilaepa L.S. Malielegaoi said it should only take three months to adjust to driving on a different side of the road.

SEYCHELLES

## President's Visit to Kuwait Lures Investors

President James Michel's visit to Kuwait earlier this year was a valuable catalyst for attracting significant Kuwaiti investors to the Seychelles.

Following recent meetings in the Seychelles with President Michel and other key government officials, representatives of the BluePrint Company (a major Kuwaiti business developer), revealed their decision to make huge investments in the African region, supported by assurances from the African Development Bank (ADB).

The managing director of the BluePrint Company, Meshal Almelham, was accompanied to the Seychelles meetings by Ahmed Alquraishi and Yousel Al Bader from BluePrint, together with Peter Simon, executive director of the ADB.

Speaking to the local media after discussions with President Michel, Mr. Almelham said: "And having seen the President, the country and the people, we need not look any further than Seychelles, which is a very stable country." He added: "We have realised that Seychelles is a goldmine and a haven for investors. There are many opportunities that will create mutual benefits for the government and the people of Seychelles, and the investors as well."

BluePrint will work with the Seychelles government to develop prospective projects in the technology, finance and tourism sectors, among others. Mr. Almelham noted that he and his team were happy working with their Seychelles counterparts and described them as committed to their country, being devoted and honest people.

Mr. Simon, representing ADB, said the Kuwaitis were initially hesitant to invest in the African region, but with assurances from the ADB which has an established reputation, their investments will be secure. He commented: "ADB has been in Africa for over 40 years and the investors find it easy to go into ventures with us since they are aware we know the market and will hedge any political risks, which means we have certain guarantees that we can provide for investments." He added that the ADB has partnerships, including one with the World Bank, which has an investment guarantee agency.