

**From:** William Blum <[REDACTED]>  
**To:** "[REDACTED]" <[REDACTED]>  
**CC:** "Hiebert, Peter N." <[REDACTED]>, "jeffrey E. ([REDACTED])"  
<[REDACTED]>  
**Subject:** Financial Services Improvement Act of 2017 (FSIA)  
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Dear Governor Mapp –

I recently received an e-mail from Dolace McLean, Esq., of the Lt. Governor’s office, which was quite troubling. Nearly identical e-mails were also sent to several other USVI practitioners. A copy of the one we received is attached.

The e-mail suggests that the Lt. Governor’s office is about to impose a number of administrative requirements on USVI exempt companies that will make these entities completely unattractive to their intended market, which is foreign individuals and companies. These persons turn to the USVI exempt company for its tax free status accompanied by corporate law provisions similar to those with which they are familiar in jurisdictions such as Delaware. What Attorney McLean appear to be suggesting is substantially higher fees for the formation and maintenance of these entities, which apparently might reach a level that would put them at or above the highest of all competing jurisdictions. She also suggests that exempt companies will have to enter into a contract with the government, the purpose of which is unclear and which is not required by statute.

We also understand that Attorney McLean is suggesting that reporting forms be changed to require exempt companies to report their beneficial ownership to the government. At present, such disclosures to the government are only required with respect to certain tax return filings – which is entirely appropriate. But this change, if implemented, would make the USVI the first jurisdiction of all the U.S. states and territories to require such information be reported to the corporate formation authorities. (It should be noted that other provisions of existing law already require ownership information to be reported to and maintained by the USVI resident agent – which should be more than adequate to ensure that the applicable federal requirements of ownership by non-U.S. persons are met).

Most important, these types of changes go directly contrary to what you are trying to achieve by proposing the Financial Services Improvement Act of 2017 (FSIA). That Act is designed to make the USVI a **more** attractive place for corporate formation; but the proposals of Attorney McLean will make it a substantially less attractive place to do so, so much so that it will almost certainly kill the USVI exempt company business entirely. This would be a classic case of the “killing the goose that laid the golden egg”! which of course will lead to decreased government revenues and fewer jobs in the Territory.

As we have previously discussed, the FISA itself makes almost no amendments to the exempt company law as none are needed; rather it would enact many other modern provisions of corporate and trust law that will make exempt companies and many other entities to be formed in the USVI more attractive to the world market. Why would the USVI, of its own volition, become the first jurisdiction to implement excessive fees and other requirement when doing so will serve only to our detriment?

Furthermore, it is apparent that the Lt. Governor’s office recently has been delaying incorporating exempt companies while they have been considering these changes. It also appears that Attorney McLean may be soon planning to announce these changes by administrative fiat --- without even seeking their enactment into law by the Legislature, and without proceeding through the rule promulgation process set forth in the VI Code. That process requires Gubernatorial approval and Legislative notification.

I would note that the private sector does not necessarily oppose filing fee or annual fee increases so long as they are modest. In fact, modest increases to some fees are already proposed as part of the FSIA. But it makes no sense to kill this market before we have even had a chance to enhance it through FSIA. Even the mere announcement that such changes suggest by Attorney McLean are being considered would have a negative impact on the marketing of exempt companies that many of us in the private sector have been successfully conducting over the past months and years.

I strongly urge that you or the Lieutenant Governor instruct the personnel at the Division of Corporations not to attempt to implement these changes or even announce them; rather that office should be instructed to resume incorporating exempt

companies in the normal course of business and pursuant to existing law, as it previously had been doing for the nearly thirty years that such entities have existed.

Should you like to discuss this with me, of course, I shall make myself available at your convenience.

Yours,  
Bill Blum

William Blum | Partner  
**SOLOMON BLUM HEYMANN LLP**

