

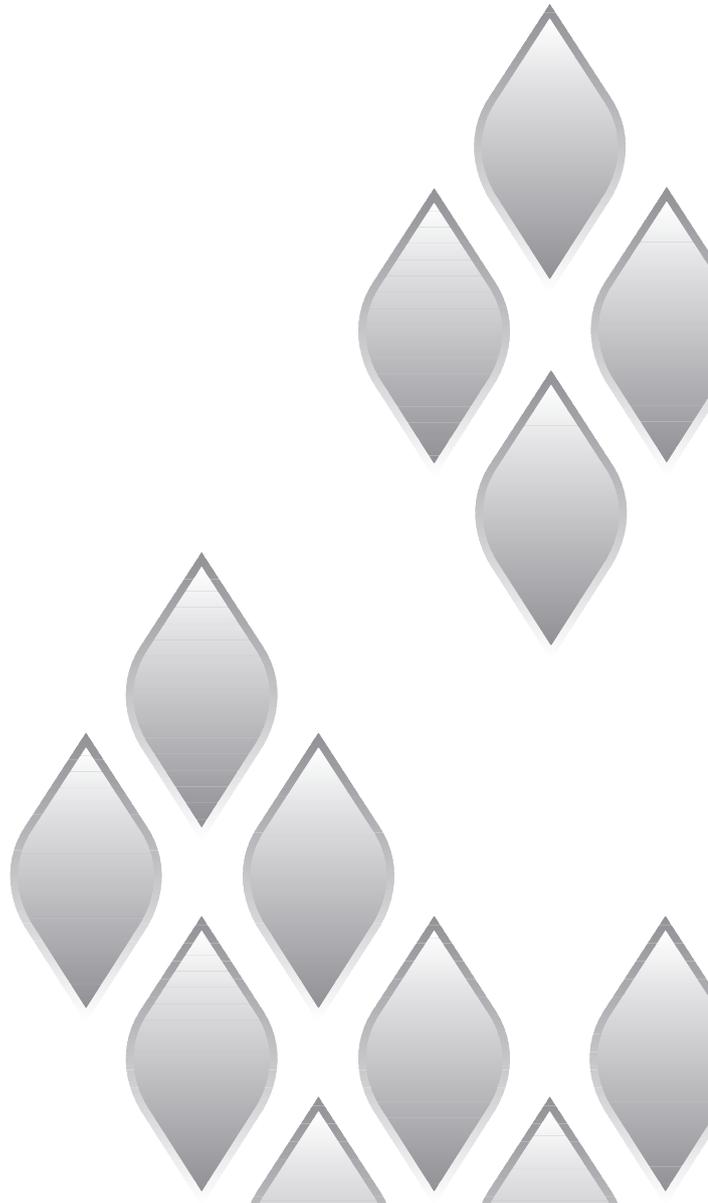


**CMB**

Compagnie Monégasque  
de Banque



# The Monaco Financial Centre





A financial centre in close vicinity to European financial centres

Accessible and multilingual

An established and recognized banking centre

A sovereign State

with an exceptional political stability

State powers are based on democratic organizational principles

An independent judicial power

## Immediate advantages

The Monaco Financial Centre is situated in close vicinity to Western Europe and the countries of the Mediterranean.

It shares the same time-zone with Europe's and the United Kingdom's financial markets. Monaco is easily accessible by all means of transport and especially by plane (Nice Airport, second largest in France) and by helicopter.

There are no language barriers. French is the official language and the cosmopolitan background of Monaco's citizens makes English, Italian or German frequently spoken languages, especially when in contact with Banks.

Residents in Monaco, who represent more than 125 different nationalities, appreciate, beyond the marvellous landscape on the seaside and its Mediterranean flair, the security and privacy offered by the Principality.

The Monaco Banking Centre is a confirmed player in Private Banking. It offers the advantages of a regulatory surveillance executed at OECD standards while, at the same time, acting within a regulatory framework designed to provide a level of privacy in line with Private Clients' expectations. Monaco Law defines "professional secret" which, applied to banking and financial services, insures for protection of client data up to a high standard.

At the end of 2015, there were 35 banking institutions and 56 companies subject to the regulation on financial activities operating in Monaco. Major global players are among the financial institutions present in the Principality, among which Anglo-Saxon, French, Swiss or Italian Banks, most of them present for several decades.

## A sovereign City-State, the second smallest in the world, governed in political continuity since 1297

The Principality of Monaco is an independent and sovereign state, extending its territory on 2 km<sup>2</sup>, making it the second smallest country in the world, with 37,800 people living and more than 50,500 people working there.

Monaco is a constitutional and hereditary monarchy that stands out for its exceptional political stability for more than 700 years.

The Grimaldi Dynasty has led the Principality since 1297.

Prince Albert II, the last descendant in this lineage, is at the helm of the state since 2005. The Constitution of January the 5th 1911 introduced a constitutional monarchy, based on democratic organizational principles of the State powers (characterized by an elected national assembly, a government appointed by the Prince, an elected municipality and independent courts and tribunals). Those principles were confirmed and strengthened in the new Constitution of 1962, which was last revised in 2002.

In accordance with the Constitution, the Executive power is held by the Prince, as the Monegasque Head of State. The direction of the Executive Services is implemented by a Minister of State, ("Ministre d'Etat"), who leads a Governing Council of six members. The legislative power is exercised jointly with the Prince and a National Council ("Conseil National"), the national assembly elected for a 5 year term.

## An independent judicial power

Justice is rendered on behalf of the Prince.

The Prince delegates his full judicial powers to the courts and tribunals. The Director of Legal Services provides for the proper administration of the Judiciary system.

The Attorney General represents the public prosecution with all the courts of the Principality. The judges' independence is guaranteed.

The Constitution of 1911 already founded the Supreme Court ("Tribunal Suprême"), guaranteeing the Fundamental Rights. This authority can therefore be considered as one of the oldest constitutional courts in the world.



Protection of privacy is asserted in the Constitution in several ways and is a constant concern

## Protection of privacy

Protection of privacy is asserted in the Constitution in several ways: inviolability of the home, respect of privacy and family and secrecy of correspondence, free exercise of religion (Article 32) or else inviolability of property.

It is furthermore important to underscore the provisions of Article 32, confirming that foreigners enjoy all the public and private rights in the Principality, which are not exclusively reserved to Monegasque nationals.

As far as financial and banking services are concerned, Monaco Law does not provide for an absolute banking secret, but its provisions ensure the protection of client data under the code for professional secrecy.

Furthermore, the Principality of Monaco acceded to the Convention 108 of the Council of Europe, of January the 28<sup>th</sup> 1981, for the protection of individuals with regard to the automatic processing of personal data and to its additional protocol, concerning the controlling authorities and transborder data flows, whose entry into force was set on April the 1<sup>st</sup> 2009.

The law on protection of personal information provides that certain types of data treatments are subject to prior authorization by the competent authority and irregularities in the treatment of personal information by institutions can be punished criminally.

## Currency

The Euro is the official currency in Monaco since January the 1<sup>st</sup> 1999.

Since January the 1<sup>st</sup> 2002, Euro coins and banknotes are legal tender in the Principality.

The Principality is therefore benefiting from the advantages of the Single European Currency.

The Euro is the official currency in Monaco

## Organization of the Monaco Banking Centre

Under the Convention between France and Monaco relating to Exchange Controls dated April the 14<sup>th</sup> 1945 ("Convention Franco-Monégasque sur le contrôle des changes du 14 avril 1945"), the current French Law on credit institutions is valid within the Principality of Monaco.

The agreement between the two countries dated November the 27<sup>th</sup> 1987 specifies in its second Article that the French Committee for Credit Institutions ("Comité des Etablissements de Crédit") establishes and updates the list of Monegasque Credit Institutions. The French Prudential Control and Resolution Authority, ("Autorité de Contrôle Prudentiel et de Résolution"), exercises regulatory controls on Credit Institutions present in the Principality.

The Monegasque banks are subject to the same operating rules and supervision as the French banks, even though the intervention of the French supervisory authorities is implemented in accordance with specific regulation, set up to protect the client data with Monegasque credit institutions.

Monegasque credit institutions contribute to the French fund for deposit guarantees and as a consequence have access to deposit guarantees in line with those provided to French banks.

Under the Agreements with France, Monegasque banks have access to the Banque de France's payment facilities. They participate with certain French and European (SEPA) payment systems under the same conditions as French banks.

Organization of the Monaco Banking Centre

The Control by the French Prudential Control and Resolution Authority (ACPR)

A supervision that respects the privacy of banking operations



## Client data protection

Client data protection through the professional secret

The specific provisions of Monaco Criminal Law (Article 308 and following) and Monaco Company Law, provide “for all persons in possession of confidential information, by status or by profession, who, except in cases where the law requires them or authorizes them to be an informer, would have revealed such information, to be punishable by imprisonment of one to six months and to a fine as provided in Section 2 of Article 26, or by one of these penalties only”.

The professional secret can not be opposed to the authorities in the fight against money laundering and against the financing of terrorism

The professional secret can be opposed neither to the "Autorité de Contrôle Prudentiel et de Résolution", nor to the "Banque de France", nor to the "Service d'Information et de Contrôle sur les Circuits Financiers" (SICCFIN, the Monegasque Authority in Anti-Money-Laundering matters), nor to the judicial authority acting in criminal proceedings. It is worth pointing out that neither the "Autorité de Contrôle Prudentiel et de Résolution", nor the "Banque de France", are looking to void the data protection in place, when implementing their controls.

The professional's representative body's recommendations

The representative professional body for banking institutions and companies approved for financial activities, the "Association Monégasque des Activités Financières" (AMAF), the privileged contact for the Monegasque Authorities for all issues regarding the banking and financial sector, regularly publishes recommendations to Finance professionals on the Best Practice in regard to anti-money laundering and the fight against the financing of terrorism, which set standards that are complying with international levels.

Anonymous accounts do not exist in Monaco. All clients, whether they hold conventional accounts or coded accounts, must be known to their bank.

## Framework for the exchange of information in tax matters

Monaco is rated as “Largely Compliant” by the OECD Global Forum

Following a number of assessments, the latest report of the OECD Global Forum, ratified in 2013, rated Monaco as “Largely Compliant”.

The Principality has signed a number of agreements compliant with OECD standards, (32) among them France, Germany, Italy, Austria, the United States, Luxembourg, Belgium, the Netherlands, Australia, Norway, Sweden, the United Kingdom, Denmark, Finland and Iceland.

These agreements are intended to promote international cooperation in tax matters through the exchange of information, based on specific and properly motivated queries.

The Principality has set a framework for fiscal cooperation with the signature of bilateral treaties at OECD standards

In a globalized economy, the effective exchange of information is essential to the retention of sovereignty for countries to implement and enforce their tax laws and ensure the correct application of tax treaties. The provisions on the exchange of information are providing a framework for cooperation beyond their borders, without violating the sovereignty of other countries or the rights of taxpayers.

The standard for the exchange of tax information provides for a specific demand based on information that is “likely relevant” to be presented by the requesting State. The demand can not be apposed in reference to the banking secrecy, but it is subject to constraints, to protect the confidentiality of exchanged informations. Any request must comply with a particular formalism. It has to show the precise identity of the person being audited or investigated, details of the information sought, the tax purpose for which information is requested and the reasons for believing that the information requested is held in the requested State or is in the possession of a person under its jurisdiction. The requesting State will also specify that it has used all means available in its own territory, except those that would give rise to disproportionate difficulties.

The Principality of Monaco is now a signatory of the OECD's Convention on Mutual Administrative Assistance in Tax Matters and becomes the 84th country to participate in this multilateral convention.

The Principality has undertaken to implement the standard by 2018.



## Elements of Taxation

### Elements of Taxation

The Principality of Monaco does not levy any Income Tax on the revenues of its residents. Non-resident individuals and legal entities are not subject to tax in the Principality of Monaco, in terms of direct taxation.

### "U.S. persons"

Clients of Monegasque banks may be subject to a tax declaration in very specific cases which are applicable in many other countries, for example:

- The "U.S. persons": Monegasque banks can act as an authorized intermediary for the IRS (Qualified Intermediaries - QI) and have to declare revenues from U.S. securities to the IRS. This reporting is nominative.

Monegasque banks have complied with the Foreign Account Tax Compliance Act (FATCA) and thus apply the resulting obligations therefrom. Since the Principality of Monaco, to date, has not adopted a comprehensive bilateral agreement, leading to locally implement the reporting requirements of FATCA, the Monegasque financial institutions are individually subject to the standard FATCA regulation.

### EU Withholding Tax

- European Union residents: by agreement between the Principality of Monaco and the European Community dated December the 7<sup>th</sup> 2004, the Monegasque banks levy a withholding tax on interest income, which is refunded by the Principality to the European countries concerned. This withholding tax (35% since July the 1<sup>st</sup> 2011) exempts the Principality from disclosing the identity of clients concerned.

Residents of EU member States may, if they wish it, avoid the withholding tax on interest earned in Monaco, by asking the paying agent established in Monaco to communicate the relevant information to the tax authorities of the Principality.

On 22/02/2016, the Principality signed an amending protocol that brings the 2004 Agreement into line with the standard on the automatic exchange of information on tax matters, as set out in the extended DAC Directive that provides for the automatic exchange of information in respect of several categories of income. This Protocol is the first step towards implementing the OECD global standard in the relationship between Monaco and the European Union.

### French Tax residents

- Individuals that are tax residents in France: Monegasque banks fill in the "single tax form" (IFU) which serves to summarize the total income from securities and all securities transactions implemented by the paying institutions.

French nationals, residents in the Principality, are subject, under certain conditions, to income tax and wealth tax in France.

## Professionalism

### A recognized banking and financial centre at human scale

At the end of 2015, 35 banks and 56 companies, approved to perform financial activities under the Law 1.338 of September the 7<sup>th</sup> 2007, were operating in Monaco, among which a number of international benchmark financial institutions.

All these firms operate under approval and control by the competent authorities.

The control for all credit institutions is exercised jointly by the "Direction du Budget et du Trésor" and the "Commission de Contrôle des Activités Financières" (CCAF), Monaco and, in France, by the "Autorité de Contrôle Prudentiel et de Résolution" (ACPR). The other regulated financial activities are subject to the control of the CCAF in Monaco only.

### A controlled and constantly evolving regulatory and legislative framework

The total size of Assets under Management at the close of 2015 exceeded 116,7 billion Euros.

The relatively small size of the Monaco Banking Centre is sufficient to enable banks to offer competitive services at international standards. The products and services offered in the Principality today include the most diverse product and service types as:

Discretionary Asset Management Mandates, Mutual Funds, Dedicated Funds, Derivatives, Structured Products, etc...

The European Directive MIF is not directly applicable in the Principality, but the best practices are implemented through recommendations or regulatory texts, to enable access to the European Union market place.



A confirmed dynamism and a strategy to develop the skills of the Principality

Single Family Offices: a rapidly developing sector of activity

## Development

The financial activities, with nearly 3,500 employees, represent more than 13% of the economic activity undertaken in the Principality of Monaco.

The Principality seeks to maintain its foreign residents on its territory and to attract new residents, their families, some of their centres of interest and their economic activities, by developing new activities and Single Family Offices.

The development of financial services is therefore a major focus, as a high value added activity consuming little space.

The Financial Centre is evolving to better meet the needs of an international clientele, at high standards in terms of quality of service, innovation and performance.

The Principality of Monaco is proving to be a competitive location for companies engaged in fund management, investment consulting or order execution, and a number of high-profile fund managers are now based there. Several finance companies of international stature have already made this choice.

The development of financial services has gone in line with the establishment of oversight bodies to ensure the respect of rules of ethics and transparency of operations, in line with other European financial centres, as well as the establishment in Monaco of internationally renowned professionals (auditors, lawyers, actuaries, etc..).

The Principality of Monaco has also recently seen the arrival of several important Single Family Offices, with the accompanying relocation of families to Monaco.

These offices work closely with professionals in the financial sector.

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