



THE VIRGIN ISLANDS OF THE UNITED STATES
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Mr. Donald Johnson
Secretary-General
Organisation for Economic Co-Operation and Development
2, rue André-Pascal
75775 Paris Cedex 16
FRANCE

Dear Mr. Johnson:

This letter is in further response to my letter of May 23, 2001, and reflects subsequent conversations that you and your staff have had with persons authorized to discuss issues related to the inclusion of the United States Virgin Islands ("USVI") on the list of "tax haven jurisdictions" in Towards Global Co-Operation, Report to the 2000 Ministerial Council Meeting and Recommendations by the Committee on Fiscal Affairs prepared by the Organisation for Economic Co-Operation and Development ("OECD"), attorney Peter N. Hiebert of the firm of Winston & Strawn and attorney Marjorie Roberts, a member of the USVI Government's Tax Study Commission. In particular, this letter addresses the principles of effective exchange of information and transparency.

With respect to effective exchange of information, the USVI understands that the United States has provided the OECD with information indicating that effective exchange of information with respect to the USVI is already available to foreign countries through the operation of U.S. federal law, the exchange of information provisions of U.S. tax treaties and tax information exchange agreements, and the Tax Implementation Agreement Between the United States of America and the Virgin Islands.

With respect to transparency, it became apparent during discussions between the OECD and the USVI on March 19, 2001, and in subsequent written communications, that the USVI substantially meets the standards set out by the OECD. In particular, USVI authorities have access to beneficial ownership for all entities incorporated or organized in the USVI, either directly or through USVI-based resident agents who are required to maintain that information. USVI authorities also have access to bank information.

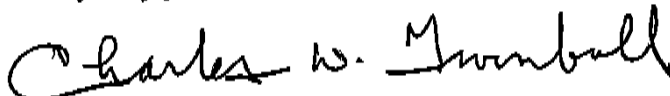
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Although it is not clear whether the current USVI rules requiring the maintenance, filing, and/or auditing of accounts with respect to exempt companies will fully meet the standards that the USVI understands will be developed by the OECD and cooperative jurisdictions, the USVI has approximately 125 exempt companies, other than exempt international insurers which have extensive financial reporting requirements. The USVI understands that the standards to be developed may include exceptions to account filing or auditing requirements, including a *de minimis* exception. The Government of the USVI is committed to reviewing its account filing or audit requirements with the objective of ensuring, where this is not already the case, that by December 31, 2005, they meet the standards to be developed as described above and to be implemented by other cooperative jurisdictions. The Government of the USVI is committed that no existing regime or practice is modified in such a way that, after the modification, it would not comply with the principles of transparency and effective exchange of information and that no new regime or practice is introduced that fails to comply with the principles of transparency and effective exchange of information. While any changes would be to the laws or regulations of the USVI, it should be noted that they may be subject to discussion with the U.S. Government (specifically the Departments of the Treasury and the Interior) because of the limited autonomy of the USVI to interact with international organizations such as the OECD. Moreover, any legislative changes would ultimately have to be enacted by the USVI legislature.

In conclusion, it is the view of the USVI Government that the OECD should have enough information by this point to conclude that the USVI should not be considered for inclusion in any list of uncooperative tax havens.

Please contact me should you have further questions.

Very truly yours,



Charles W. Turnbull
Governor of the United States Virgin Islands

CC: Philip Garlett
Head of Harmful Tax Practices unit

Grace Perez-Navarro
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