

REPUBLIC OF NAURU
TRUSTS BILL 2018
SECOND READING SPEECH
Honourable David Adeang MP
4 October 2018

Mr. Speaker Sir,

While we are a small island nation, we are an active member of the international community of nations. In June 2016, Nauru became a signatory to the Multilateral Convention for Mutual Administrative Assistance in Tax Matters. Under this tax agreement Nauru has agreed, along with over 100 other treaty partners, to be part of an international network for the exchange of tax information.

All treaty partners agree to an ongoing OECD review process to ensure that treaty partners' legal framework meet their obligations under the tax agreement and that treaty partners give effect to their obligations on an ongoing basis.

The Government in the last 5 years has undertaken substantial legislative reform to meet its international obligations under various treaties, conventions, protocols and agreements, and one of it is OECD. This proposed Bill which will ensure our legal framework meets the internationally required standard. These two areas are:

- First, requiring that trusts located in Nauru to be registered.
- Second, establishing obligations and effective penalties for the maintenance, for a minimum of 5 years, of reliable accounting records for trusts located in Nauru.

This Bill addresses these two matters. Now this Bill will bring Nauru's trust laws in line with similar registration and accounting obligations for Nauru partnerships and corporations, thereby providing a similar record keeping and reporting standard regardless of the legal arrangements that parties choose to organise their affairs.

This Bill requires all trusts located in Nauru to register with the Registrar of Trusts. On registration, information will be updated relating to the identity and ownership and control rights for settlors, trustees and beneficiaries of a trust. It also requires such trusts to keep reliable accounting records, and relevant underlying documents,

for a minimum period of 5 years. The Bill establishes penalties for failure to meet these obligations.

The information held by the Registrar of Trusts will not be publicly available. However the Registrar will be able to share the information with both domestic and international law enforcement or regulatory agencies subject to the sharing requirements in this Bill.

Importantly Mr Speaker, this Bill also recognises that the law must reflect the realities of a small island nation. Accordingly, the Bill seeks to ensure that the requirements are strictly limited to what is required and that they do not adversely impact on other Nauru arrangements.

Mr Speaker the Government is conscious that it is not uncommon in Nauru for funds to be raised by groups within a community (for example church communities) for advancing good causes (for example the advancement of education for the youth). Some of these, depending on the circumstances, may be charitable or purpose trusts. These trusts are likely to be reasonably informal and dealing with relatively small sums of money.

In addition, this Bill also makes clear that any trust that arises out of a decision as to joint ownership of land made by the Nauru Lands Committee, be excluded from the requirements of this Bill.

This Bill also proposes a special provision for the recognition of minors' interests in a trust. This will include all forms of trust. This is to protect the interests of the minors' benefits for the future.

The Bill is accompanied by an explanatory memorandum explaining the Bill in more detail.

Mr. Speaker, I commend the Bill to the House.