



The Bahamas: A Premier Financial Services Jurisdiction

The Bahamas continues to meet the requirements of an increasingly sophisticated financial services marketplace. Its reputation as an efficient, experienced and knowledgeable player in this area is universal. The government has made it clear that the jurisdiction will continue to be blue chip and well-regulated, qualities fundamental to The Bahamas' continued success as a financial centre. Dialogue and cooperation at all levels of the industry is strong and greatly facilitated by the Ministry of Financial Services and Investments.

At the core of this success is a robust legislative environment. While the Foundations Act provides the Bahamas' industry with a new tool drawn from the civil law tradition, it is just the latest in a series of legislative developments designed to strengthen The Bahamas' business and regulatory environment.

A Purpose Trust Act, a Segregated Accounts Companies Act, enhancements to the International Business Companies Act and amendments to the Perpetuities Act are other important pieces of legislation that have been enacted during the first six months of 2004.

The launch of these products follows the passing of an updated Investment Funds Act, one that introduced a comprehensive platform for the investment funds regime with Standard, Professional and SMART© funds. Earlier in 2003, legislation that both facilitates and protects the conduct of financial services in the digital world was introduced.

While banks and trust companies have been regulated by the Central Bank of the Bahamas since 1974, and the country was the first international financial centre to criminalize money laundering, the process of upgrading the legislative environment began in December 2000 when nine pieces of new or amended legislation were enacted.

Many of these changes were congruent with existing domestic plans to upgrade local infrastructure. Together they:

- Brought the laws regulation and supervision of the financial services industry into full compliance with the new and evolving standards established by the Basel Committee on Banking and IOSCO standards on securities. In addition, steps were taken to enhance the jurisdiction's regulatory and supervisory infrastructure and to ensure financial and corporate service providers are properly regulated;



- Brought The Bahamas into full compliance with the provisions of the Vienna Convention Against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances;
- And strengthened The Bahamas' processes with regard to international cooperation to counter money laundering, illicit drug trafficking and related crime by:
 - (i) Enshrining KYC standards and fortified anti-money laundering regime;
 - (ii) Revising the laws of international judicial co-operation.

The legislative agenda for financial services will remain active as the government moves forward in updating the domestic and external insurance bills. It has also foreshadowed legislation that will lead to The Bahamas becoming an international arbitration centre and preferred centre for private trust companies. An examination will also be undertaken to determine if further steps are necessary to improve the framework for securitization.

The legislative framework for the financial services industry currently includes:

- Trustee Act
- The Trusts (Choice of Governing Law) Act
- Purpose Trust Act
- Perpetuity Amendment Act
- Foundations Act
- Investment Funds Act & Regulations
- Securities Industry Act and Regulations
- Segregated Accounts Company Act
- International Business Company Act
- Limited Duration Companies
- Exempted Limited Partnerships
- Fraudulent Disposition Act
- External Insurance Act
- Electronic Communications Act
- Data Protection Act
- Computer Misuse Act
- Bahamas International Securities Exchange



The legislative framework for regulation of the industry includes:

- Central Bank of The Bahamas Act
- Bank and Trust Companies Regulation Act
- Securities Industry Act and Regulations
- Investment Funds Act & Regulations
- Financial & Corporate Service Providers Act
- Financial Transactions Reporting Act & Regulations
- Financial intelligence Unit Act & Regulations
- Criminal Justice (International Co-operation) Act
- Evidence (Proceedings in Other Jurisdictions) Act
- Money Laundering (Proceeds of Crime) Act
- Proceeds of Crime Act

STRONG CREDENTIALS FOR WEALTH LEADERSHIP

The Bahamas' history in providing banking and trust services to the international financial community dates back to the 1930s. Today many of the world's largest and most prestigious financial institutions have branches or subsidiary operations in The Bahamas, taking advantage of the country's stable political and economic system, and establishing the jurisdiction as a regional leader in wealth management.

This position has become strengthened through the preservation of The Bahamas' crucial tax neutrality advantage in the new financial architecture that has emerged in the country and with the jurisdiction securing its compliance with the evolving framework for regulation and anti-money laundering.

Another key factor is the presence of quality financial service providers. According to the Central Bank of The Bahamas more than 250 banks and trust companies are licensed to operate in The Bahamas, with all maintaining a physical presence in the country, and together employing more than 4,000 individuals. There are also more than 60 institutions licensed to provide fund



administration and some 90 licensed to provide broker-dealer and/or investment advisory services.

Capital markets, accounting and legal services, e-business, insurance, and corporate and shipping registries complement the core areas of the country's wealth management products and services.

The Bahamas' strong position in the wealth management area is not just rooted in its financial architecture and its widely respected service providers. It can also be attributed to a number of favourable political, economic and business characteristics and features.

Asset Security Standard & Poors has assigned an 'A-' long-term and 'A-2' short-term Sovereign Credit Ratings to The Bahamas reflecting the country's political stability, stable economy and steady macroeconomic stance.

The Bahamas also enjoys an 'A-3' Investment Grade rating from Moody's Investor Services on its sovereign debt.

Tax Neutrality The country remains committed to a tax neutral platform in which there are no income, capital gains, inheritance and payroll taxes. There is no distinction between Bahamians and non-Bahamians which means that international persons who choose to do business or to live in The Bahamas receive the same benefits that Bahamians do.

Political Stability An independent nation since 1973, The Bahamas marked 275 years of Parliamentary Democracy in September 2004 which ranks it as one of the oldest, most vibrant democracies in the Western Hemisphere. All political parties in the country support the financial services industry.

Legal System The legal system in The Bahamas, modelled on the British pattern and independent of the political process in the country, provides a well-established environment for international business. The highly respected judiciary of The Bahamas includes a Supreme



Court with unlimited jurisdiction in civil and criminal matters, a Court of Appeal and a final Appellate Court in the Privy Council of Britain.

Training & Development The uniqueness of The Bahamas is its ability to deliver on the “3 Cs” -- Commitment to the industry and, Continuity and Consistency in service to clients.

Training and development is a primary reason why The Bahamas has been able to maintain such high standards in the wealth management area. While individual companies maintain their own programs, a common thread among them is the Bahamas Institute of Financial Services, which is supported by all of the major commercial and offshore banks operating in the country and has evolved into a leading training organisation for all levels of employees in the financial services sector.

Other established industry training bodies include the Society of Trust & Estate Practitioners, the Bahamas Society of Financial Analysts, the Bahamas Association of Compliance Officers and the Insurance Institute of the Bahamas.

Sound Regulation The Central Bank of The Bahamas, the Securities Commission of The Bahamas and the Registrar of Insurance Companies ensure adherence to international standards of performance, service and confidentiality through a comprehensive and progressive regulatory and supervisory framework. Through their international affiliations they monitor and adhere to the principles espoused by the Basel Committee, International Organization of Securities Commissions (IOSCO), Council of Securities Regulators (COSRA), International Association of Insurance Supervisors (IAIS), International Monetary Fund (IMF) and Financial Action Task Force (FATF).

The Bahamas Compliance Commission, which is an essential part of the jurisdiction’s rigorous anti-money laundering efforts, is a supervisory body for non-traditional groups of financial institutions such as lawyers, accountants and other professionals where institutions hold funds on behalf of clients. The work of the Compliance Commission is closely coordinated with the Inspector of Financial and Corporate Service Providers who regulates persons providing corporate management and other services.



The Bahamas' Financial Intelligence Unit is a member of The Egmont Group of Financial Intelligence Units. It is a key component of rigorous anti-money laundering framework in The Bahamas.

Location In the global marketplace, The Bahamas is well positioned with its location at the crossroads of the Americas and its traditional ties to Europe to facilitate investment into major centres. Legislation that greatly facilitates international purchase of real estate in The Bahamas has attracted an increasing number of second-home buyers from abroad. For example, purchase of a home over \$500,000 provides eligibility for permanent resident status. This is attractive to business executives who trade internationally through Bahamas-based operations and who wish to take advantage of the absence of direct income tax in The Bahamas.

Involved Professional Bodies With a long history of positive contribution to the industry's development, the country's professional bodies also provide government a window to the international financial services industry to better identify and respond to change.

Formed in 1976, the self-regulatory Association of International Banks and Trust Companies in The Bahamas promotes a high level of ethical conduct and management standards. Similarly, the Bahamas Institute of Chartered Accountants functions as a self-regulatory body, ensuring compliance with International Auditing and Accounting Standards and Rules of Professional Conduct. The Bahamas Bar Association is also a self-regulatory organisation.

Other industry groups which are part of this extensive resource base are the Clearing Banks Association, the Bahamas Funds Association, the Bahamas General Insurance Association, the Bahamas Real Estate Association, the Bahamas Association of Compliance Officers, the Bahamas Society of Financial Analysts, the Society of Trust & Estate Practitioners and the Bahamas Institute of Financial Services.



Professional Community The professional community in The Bahamas plays an integral role in the continued development of the international services sector.

There are more than 700 attorneys practicing in The Bahamas, from firms of various sizes. Many of the firms specialise in international financial services. The British-based legal system means that most attorneys in The Bahamas have been trained and qualified in the United Kingdom, and consequently are very familiar with practices and concepts arising from English Case Law, including trust business.

The Bahamas also has an impressive selection of well-qualified and experienced public accountants, with an estimated 350 in practice at the present time.

Investment Policy The Bahamas has a liberal investment policy, with government encouraging and promoting an investor-friendly environment. The Bahamas Investment Authority (BIA) is a one-stop shop designed to cut red tape and facilitate coordination among relevant government agencies.

Infrastructure The Bahamas' superior physical infrastructure includes six international airports served by international airlines providing links to the world. The nation's 23 seaports include a major cruise-ship port in Nassau and a modern container facility – one of the largest in the region of the U.S. Eastern seaboard -- in a 200-square-mile free trade zone on Grand Bahama Island. This strategically located and modern international container port is ideal for the transshipment of goods to and from ports in North and South America. The Bahamas ranks number one in the world for cruise ship registry and number three in total world tonnage.

Telecommunications services in the islands are "state-of-the-art" and are well positioned for redundancy, high speed and substantial bandwidth in a competitive environment.



The Bahamas. The Better Choice.

The Bahamas is ideally positioned as a leading international business centre, with the existence of a highly skilled professional talent pool, legislation conducive to business, a risk based regulatory environment, and systems for the prevention and detection of money laundering and financing of terrorism. The depth and quality of financial services institutions is complemented by the provision of a tax neutral platform for all business activity. It is also a country committed to its democratic traditions, fiscal prudence, and a strong public-private sector partnership.