

# Lion's Roar



NEWS from Equity Bank And Trust | Nassau, The Bahamas | Spring 2019 | equitybahamas.com

## IN THE NEWS

### Equity Bank And Trust Enters Domestic Market

Equity Bank and Trust Bahamas is now offering local private banking services after receiving approval from the Central Bank of The Bahamas as a \$B Authorized Agent.

Equity's entry into the domestic market will allow Bahamians greater access to global financial markets by tapping into the professional expertise and knowledge that Equity has been offering to its global clientele for more than 30 years.

"Until recently Bahamians have been limited to traditional local investment options such as shares in local companies and government bonds," said Equity's Chairman **Ivlyln Cassar**. "The Central Bank's liberalization of exchange control recognizes the desire by Bahamians to participate in the ▶3



## THE BAHAMAS

### Cooperative Tax Jurisdiction with the EU

The European Union (EU) Finance Ministers have concluded that The Bahamas is a cooperative tax jurisdiction, evinced through the absence of The Bahamas on the updated EU list of non-cooperative tax jurisdictions. Over the past year, the financial services industry in The Bahamas through its representative bodies, the Bahamas Financial Services Board (BFSB) and The Association of International Banks and Trust Companies (AIBT), continued their diligence and prudence in working assiduously alongside the Bahamian government to address the points that are raised by the European Union, such as those raised in March of 2018. Equity Bank And Trust Bahamas is an active and proud member of both BFSB and AIBT and is in compliance with these regimes while remaining fiercely committed to your success. Funds services have been a steadily growing area for Equity, spurred by such innovative products such as SMART Funds and ICON. Establishing an investment funds subsidiary is seen a logical and appropriate step to oversee this growing area of business.

Through a public/private sector working group, comprised of members of BFSB and AIBT and representatives of the relevant government ministries, the industry has provided input to policy makers with respect to the business implications of the various measures, resulting in the following legislation being passed to address points with respect to economic substance, ring-fencing, access to beneficial ownership information and tax offences:

- a. The Multinational Entities Financial Reporting Act, 2018;
- b. The Commercial Entities (Substance Requirements) Act, 2018 and Guidelines;
- c. The Removal of Preferential Exemptions Act, 2018;
- d. The Beneficial Ownership Act, 2018; and
- e. The Penal Code (Amendment) Act, 2018.

"We support the government taking these necessary steps to ensure The Bahamas retains its position as a leading international financial centre and to pursue initiatives that position this jurisdiction and our company for sustainable growth and development in compliance with the EU and other regulatory bodies," said Ivlyln Cassar, Chairman, Equity Bank And Trust Bahamas Limited. ■

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## EVOLUTION OF THE FINANCIAL SERVICES SECTOR: Further Investments Into Specialized Education and an Enhanced Ease of Doing Business

**The Bahamian government is prudently further enhancing its allocation of resources to the modernization of the financial services sector keeping pace with the digital footprint of the industry internationally, speed and efficiency. The legacy of financial services in The Bahamas is a rich history of more than 80 years to date and is here to stay.**

The Bahamas is world renowned for its financial services industry in large part because of its inclusive and diverse financial products built on a robust and tested legislature. There are a plethora of professional entities and consultants locally, with specialized education and a vast experience in wealth management, banking and corporate services.

That being said, the 2018/2019 fiscal budget that was passed in the House of Assembly on June 18th, 2018 is an undeniable indicator of the government's continued unwavering commitment to the industry. This governmental support further build on the legacy of The Commonwealth of The Bahamas being among the eldest, most stable democracies in the Western Hemisphere, boasting in excess of 280+

years of unobstructed parliamentary democracy.

**The Honourable T. Brent Symonette**, the Bahamas Minister of Financial Services, Trade and Industry and Immigration, in his contribution to the budget debate outlined plans to further accelerate the pace of Human Capital Development and to enhance the Ease of Doing Business. Both initiatives will facilitate a deliberate economic transformation toward a sustainable future for the country's financial services sector as well as other elements of the Bahamian economy.

Equity Bank And Trust Bahamas remains fiercely committed to your success with consistency, prudence and leadership during this transformation.

"We must first be proactive in

investing in human capital through education and diversity to achieve service quality that is second to none," said Minister Symonette. "By improving our talent pool, we will ultimately increase efficiencies in the "ease of doing business" in The Bahamas."

The highly skilled staff of Equity Bank And Trust Bahamas boast a deep entrenched knowledge of financial services as a well as FinTech. The Human Resource Department regularly takes initiative to schedule staff for internal and external (local and international) trainings, seminars, lectures and conferences across the topics of compliance, financial technology, wealth management and legislative updates. The staff also impressively consists of several computer and software programmers lending an advantage to the comprehension and formulation of bespoke FinTech and Artificial Intelligence solutions and efficiencies for the benefit of clients.

In this regard he said the establishment of a "Centre for Excellence" for



professional skills development in financial services in the region is a priority. He stated that: "Through a grant from The European Union (EU) facilitated by The Caribbean Development Bank (CDB) a roadmap was developed to enable us to demonstrate our commitment to educating and equipping our financial services workforce to meet and maintain quality standards in the provision of financial services through the Centre for Excellence. This project is envisioned as a public-private sector partnership to create a financial services 'SMART CITY' for education, research and development, and internship."

It is particularly noteworthy that Equity Bank And Trust Bahamas supports the development of the human capital with The Bahamas

through its Summer Internship program which gives students at the University of The Bahamas and Bahamian students studying at US and Canadian-based Universities, a paid opportunity to gain real world training and experience in private banking and wealth management.

Minister Symonette added that his Ministry also intends to work with the University of The Bahamas to integrate in its business program opportunities for research and internships.



Minister Symonette

The Ministry of Financial Services will also work with the Ministry of Education to strengthen financial services education at the tertiary level.

Minister Symonette added, "We must realize that although we are an independent and sovereign nation, we exist in an interdependent, and integrated ever-changing global economy. This means that we must embrace and adapt to change this is the only way

we will be able to create opportunities for ourselves. He went on to state that, "We must be innovative in our services and product offering while also putting in the framework for policy, and innovation that will foster flexibility for the creation of new products and services



► **\$B DOMESTIC MARKET** | from front page

buying and selling of shares beyond The Bahamas and to access other international investment services. We believe our track record and experience in helping our international clients achieve financial success can be duplicated to assist Bahamians expand their investment options."

In addition to the international opportunities Equity's initial offerings to the Bahamian public include custody, brokerage and asset management services, local investment fund incorporation and administration services, trust and creditor protection services, estate administration and retirement planning, FinTech consultancy and the continuation of its corporate services offerings. It will also facilitate the Central Bank's approval process for Exchange Control requirements in relation to international investment opportunities.

"Equity is poised to create investment funds for Bahamian entrepreneurs and institutions looking to compliantly raise capital at the same standard as the internationally based investment funds that we successfully administer," says Managing Director of Equity Investment Fund Services Limited, **L. Michael Dean**. Increasingly there is a desire being demonstrated for public partici-

pation in capital intensive projects, enabling local ownership and the alignment of public interest in the success and patronage of projects.

"Our expert asset management team looks forward to creating bespoke portfolios for the discerning Bahamian client, as well as facilitating self-directed security purchases", according to Managing Director **Dillon R. Dean**.

"Want to buy shares of Facebook? Just let us know. In order to preserve purchasing power and to offset inflation it is necessary to consider an investment plan, in addition to one's ambitions to capture gains due through strategic investments in deserving and well-run publicly traded companies."

**Vanessa Coleby**, Vice-President of Trust Services noted "There are few things more important than protecting your assets for the enjoyment of your loved ones. Bahamians are encouraged to form a trust to protect their legacies. We have the experience to help.. In particular, the strength of the trust legislation in the Bahamas elevates the Bahamas as a superior time-tested and proven choice."

Online banking and mobile responsive websites and terminals are testament to Equity's forward thinking approach to digital banking. "We are

well positioned for FinTech consultancy and solutions for the local market," says Head of Business Development and FinTech, **Delphino Gilbert Cassar**. "It is without question that the evolution of financial services is hinged on financial technology. Equity as an innovation leader is actively allocating resources towards machine learning, artificial intelligence and the most convenient approaches to digital asset custody, digital asset succession planning, electronic transacting and into the ecosystem networks that support digital assets in line with the new Regulatory regime being introduced in the Bahamas. Equity looks forward to assisting prospective clients in the crypto asset business as well as those bullish about investing into it."

Director of Corporate Services, **Kim Thompson** noted that corporate services and smart structuring are the underpinning of every successful business. "We encourage Bahamians looking for incorporation, corporate administration, payroll and other expert support services to visit us," she said. The private banking toolkit behind many high net worth international clients is now in the hands of Bahamians.

Book your appointment via **equitybankbahamas.com**. ■

# The Bahamas: The Clear Choice for Financial Technology

**F**inTech continues to generate a wide variety of new opportunities to build financial products and deliver financial services in ways never imagined. The Bahamas refuses to miss the opportunities that FinTech is presenting to the financial services industry and the broader economy, as we take collective action to further enhance the way we do business.

Equity Bank And Trust Bahamas in the same vein has allocated resources to the build out of its FinTech solutions and into the research and development of machine learning and artificial intelligence solutions that promise to be beneficial and convenient to customers. There is undoubtedly a commitment to the future of banking.

FinTech is a new, disruptive combination of technology and finance that is rippling throughout the financial sector and beyond, causing significant structural change and also affecting the way individuals relate to their personal finances and other transactional business. The new approach to traditional business models are driving cost-savings, efficiency and global expansion of firms engaged in this space.

FinTech and more particularly, the blockchain, has the potential to positively impact the whole financial value chain and thus improve financial access, effectively revolutionizing the ways in which we attract and service both domestic and international clientele.

## THE OPPORTUNITIES

Opportunities abound for The Bahamas in FinTech. With the government's commitment to creating a technology hub and the provision of incentives

under the Commercial Enterprises Act, we are ideally suited to attract investment and attain success in this space.

For the Bahamas, FinTech presents a platform for innovation that we must leverage to participate and thrive in this new digital era set out by a variety of next generation technologies. Opportunities for entrepreneurs as well as established firms can be created in this new environment, although both run regulatory risk in the absence of regulatory and legislative guidelines.

Equity Bank and Trust Bahamas by way of thorough agreements, internal policies and the most reputable relationships is managing this risk with a commitment to full compliance to the regulatory regimes as they come out

The Bahamas can be one of the first centers in the world with a regulated ecosystem for crypto exchanges and crypto assets, including digital currencies (i.e. stable coins), and other blockchain-based financial products, such as virtual securities tokens and commodity-backed digital tokens.

Some of the opportunities available in the FinTech arena include the following:

### 1. Entrepreneurship

Bahamian entrepreneurs have a platform within their grasp to develop high-value added financial services businesses based on an entirely new operating model – the network model. Solving traditional problems with new approaches, often by small and medium sized firms, is a leading pathway to success. Many such entrepreneurs in order to prove credible will require a service provider like Equity Bank And Trust

to assist with properly structuring and managing administratively.

### 2. Addressing Cyber Threats

One key way to leverage Fintech is in guarding against fraud and cyber threats. Blockchain uses secured "blocks" of records that are time-stamped and linked through a distributed database. It can help prevent fraudulent activity and it can reduce the risks that come with holding information in one location, where hackers can target it more directly. Nevertheless the importance of collection of full KYC as to the legitimate source of funds and beneficial ownership remains enforced by Equity Bank And Trust Bahamas. Furthermore, Equity remain vigilant and updated on the attacks on the FinTech industry generally.

### 3. Job Role Evolution

New jobs will be created, albeit in fewer numbers, and many existing job functions will evolve, which is why it is critical to attract more firms to The Bahamas to provide growing job opportunities.

### 4. Identity Solutions

Blockchain-based ID solutions help people control their identities better, while at the same time giving anyone who needs a government-approved identification a secure, blockchain-based, free solution that can be used anywhere, for a number of purposes, including credit scoring.

### 5. New Financial Products and Services

Blockchain technology and crypto assets present a basis for an uplift in entrepreneurial activities, as well as a basis for established firms to pivot their business models and avoid being dis-intermediated by this technological revolution.

- i. Cutting-edge community and traditional banking
- ii. Digital Payments and





Micropayments solutions via mobile

- iii. Legal Advice
- iv. Crowdfunding
- v. Insurance
- vi. Fiduciary Services
- vii. Digital asset exchanges / Trading Platforms
- viii. Financial planning, investment management and portfolio allocation
- ix. Crypto-ATMs and kiosks

#### **6. FinTech and Crypto Investment Funds**

Hedge funds investing in crypto assets and related businesses are already being launched in The Bahamas. Funds touch all aspects of financial services, and with the growing blockchain ecosystem, fund managers are being attracted to set up shop here.

#### **7. Broader Investment Opportunities**

While cryptocurrencies may bear some resemblance to familiar assets classes like commodities, currencies or securities, it is a new digital asset class and presents a broad array of investment opportunities from tech startups seeking to gain market share to well-established businesses seeking to improve their customer experience.

#### **8. New Sources of Investment Capital**

The move to integrate digital currencies into our capital system adds to the sources of the capital available to jumpstart economic growth. Crowdfunding should flourish in this new digital environment, positively impacting the raising of investments and philanthropic fundraising with the onset of new financial products and more convenient means to transact.

#### **9. Access New Wealth Management Clientele**

As a tech hub and international financial center, The Bahamas continues to attract and cater to the changing demographics while catering to the expectation for digitization held by our global client base.

#### **10. Broader Financial Inclusion**

Ease of access provided via blockchain technology gives people who

do not have the opportunity to be conveniently banked to become active participants in the global economy.

#### **11. Automation via SMART Contracts**

Automation of administration operations of all sorts can be introduced to financial institutions to increase efficiency and scalability of businesses and government resources. Fund and corporate administration services can be automated to reduce cost and improve service delivery.

#### **12. Enhanced Process and Risk Management**

Blockchain technology presents opportunities for process improvement and can be used to develop more efficient entity incorporation and registration with the advent of a completely digital corporate registry, which would allow for the further development of a digital financial asset registry to allow for increased liquidity and seamless trading of digital assets of all kinds.

#### **13. Expansion of Financial Services by Non-Traditional Companies**

FinTech solutions allow for regular businesses to integrate financial services into their business models to increase sales volume and to improve the customer experience by securely extending credit and proactively identifying viable clients.

### **LEVERAGING THE OPPORTUNITIES**

Education, infrastructure and regulation will be the key drivers of success in FinTech.

The Bahamas Financial Services Board is intent on placing The Bahamas at the forefront of these changes so we can harness the power of technology to facilitate innovation and economic growth in the financial services sector.

#### **Education**

A highly skilled and well-trained workforce must continue to be a pillar in building a Bahamian FinTech hub. The Bahamas has a highly educated local workforce and a long tenure in financial services excellence, creating a deep pool of skill and experience that ▶6

**Equity Bank And Trust Bahamas** continues to believe in fostering growth in the economy and paying it forward by supporting many charitable initiatives, events and balls.

Recently, Equity has been proud a sponsor of: **Kingdor National Parkinson Foundation Gala Ball; Bahamian Carifta Swim Team; Gentlemen's Club** for the development of young men by way of a participant; Bahamian Junkanoo-Pop Star **Julien Believe** in his journey to China where he performed at the Miss Universe Pageant representing the Bahamas; and of Bahamian Fashion Designer **Theodore Elyett** for his voyage to Buckingham Palace in London as a presenter at the renowned Commonwealth Fashion Exchange.

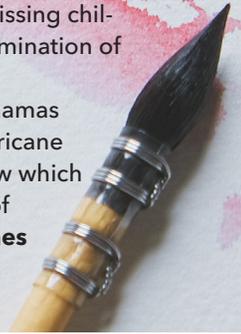
Additionally, Equity is excited to again host its annual charitable art exhibit this year entitled **The Equity Bank And Trust Bahamas 3rd Annual All We Need Is Art Charitable Exhibit**, held on Saturday April 13th 2019 between 2pm and 6pm in the bank's breathtaking open atrium at Equity Trust House in Caves Village, Nassau, The Bahamas. The exhibition attracts many of the bank's high net worth clients, guests of clients, senior governmental

officials and affluent Bahamian art collectors.

"We are very grateful to the exceptionally talented and passionate local artists who enrich the culture of The Bahamas. We hope to continue to encourage creativity and innovation. Moreover, many discerning investors consider art a part of the asset mix for the preservation of value," said **Ivlynn Cassar**, Equity's Chairman. "And at this time of year, Equity and our supporting artists for the event couldn't think of a more appropriate cause to support than the **Marco Alert Project** for the detection and prevention of missing children. May God strengthen the families affected by such travesties.

"Artists exclusively benefit from sales save for a portion of the proceeds being donated to assist as much as possible with the creation of a technology platform for the viral broadcasting of missing children and the quick capturing and dissemination of any leads into their discovery."

In the past Equity Bank And Trust Bahamas Limited's Art Exhibit has sponsored hurricane efforts in the wake of Hurricane Matthew which caused considerable damage to parts of The Bahamas, and to the **Ranfurly Homes for Children**. ■



► **BAHAMAS: CLEAR CHOICE** | from page 5

is recognized and trusted worldwide setting a sustainable foundation for the responsible application of FinTech solutions.

Most students who aspire to careers in wealth management attain their degrees from The University of the Bahamas as well as leading universities in the United States, Canada and the United Kingdom. Professional development and training remain high priorities for the industry, which confers degrees and certifications locally through its professional associations.

**Infrastructure**

The Bahamas has developed its land, premises and fit-for-purpose infrastructure with the singular focus of facilitating international business. Modern office facilities are connected globally through three separate, fully redundant, self-healing, fibre optic cable networks, with data protection at the OECD Standards.

The Bahamas is easy to access, with some 21 international airports and 40

other airports situated throughout the archipelago, as well as countless ports of entry and marinas that can accommodate the largest yachts.

More than 10,000 acres on Grand Bahama have been earmarked for industrial and commercial development. The Freeport industrial zone has one of the most efficient and deepest harbours in the region as well as an international airport capable of handling the largest aircraft in service, and an international business and logistics park for value-added and cargo handling activities.

**Regulation**

The Government and Regulators along with the private sector are drafting policies and rules designed to allow this business to develop and bloom. These coordinated efforts are driving the creation of appropriate regulatory regimes for the emerging blockchain technology and cryptocurrency sector.

The Bahamas encourages the growth of its financial sector through

adherence to internationally accepted regulatory principles, and efficiency in their administration. Regulatory independence is maintained through the separation of roles of policy makers and regulators; regulation and regulators are subject to independent assessments by the Caribbean Financial Action Task Force, the Caribbean sub-group of the Financial Action Task Force, and the International Monetary Fund.

The Bahamas also is an active participant in multilateral organizations established to set and monitor standards for regulation and Anti-Money Laundering and Countering of Terrorist Financing (AML/CFT).

The industry is proposing a rule-based approach providing the necessary certainty as to regulatory treatment, with the flexibility for such rules to be easily modified to consider new business processes, activities and the changing characteristics of digital assets as entirely new business models. ■

In the Bahamian Government's endeavor to encourage the ease of business and the greatest accessibility of banking services throughout the country it has embraced the concept of a state digital currency. The backing of the Central Bank of The Bahamas of the state digital currency coined as the Digital "Sand Dollar" on a one to one basis with the Bahamian Dollar (which is pegged one-to-one with the US Dollar) brings significant confidence to businesses, financial intermediaries and individuals in the general public wishing to transact with it.

This backing will support avid adoption by a growing network of businesses locally creating an active ecosystem of vendors who will accept the Digital Sand Dollar, over and above other independent digital currencies and stable coins.

It is speculated there will be avenues for existing digital currencies and stable coins to convert into the Digital Sand Dollar. In particular, among the prominent vendors who have publicly announced that they will accept the Digital Sand Dollar are popular utilities providers Cable Bahamas and Aliv, responsible for television, internet and telecommunications services widely.

The Digital Sand Dollar is scheduled to be introduced via a pilot test in select "family islands" of The Bahamas by next year according to the Governor of the Central Bank of The Bahamas, **John Rolle**, following which it will be rolled out outside of the test communities after 2020. He went on to announce that "the communities [for the pilot program] will be identified before the end of April."

The Expression of Interest (EOI) tender for the Project Sand Dollar initiative which was revealed last August, noted that the intention for the launch of a digital fiat Bahamian Dollar is scheduled to take place by 2021.

In the application of this digitally advanced form of payment, the Bahamian regulatory framework is keen on prioritizing integrative measures against terrorist financing and money laundering. The Government is currently considering a draft Central

# The Central Bank of The Bahamas-Approved Digital Sand Dollar Is On Its Way

Bank of The Bahamas Bill, 2019, in anticipation of the unveiling of the Digital Sand Dollar setting out the appropriate regulations to govern the new instrument. In addition to the aforementioned, the governance model set forth will include safeguards in consideration of Exchange Control Rules and synergistic specifications outlining the complementarity rather than substitutability of traditional banking functions.

The Central Bank of The Bahamas has announced that it has selected NZIA Limited as its preferred technology provider – victor among 30 bidders – to create and implement the Digital Sand Dollar, the name of which is deduced from the title of the official initiative for the modernization of the payments system "Project Sand Dollar." NZIA Limited has a reservoir of expertise in robust Internet of Things networking solutions and enterprise blockchain applications. Its genesis stems from IBM in conjunction with Zynesis Pte. Ltd, a Singaporean software development company with a niche focus on blockchain solutions. Conversations between the Managing Director of NZIA Limited and the Head of Business Development at Equity revealed that the company is looking to collaborate with local technology companies and financial intermediaries for the most coherent integration of the Digital Sand Dollar.

It is envisioned that this state-owned digital

fiat currency will lead to more instantaneous transactions while reducing service delivery costs locally and encourage more modern interfaces for payments to be made inclusively throughout the islands.

Equity Bank And Trust Bahamas is excited about this new wave of innovation in the country, and looks forward to cooperation with the Government, regulators, NZIA Limited and Bahamians for the smooth adoption of the Digital Sand Dollar throughout The Bahamas. ■



# The Bahamas CRS Update

## Bahamas Has a Strong Regulatory Regime

The robust regulatory regime that characterizes the financial services sector in The Bahamas ensures that the longstanding integrity of the country as a leading international financial centre is maintained. As a sovereign nation for more than 40 years, and an independent nation since 1973, successive governments have consistently demonstrated the country's commitment to international best practices, cooperation in the administration of justice, international tax transparency, anti-money laundering and the countering of financial terrorism initiatives. Bahamian regulators are well respected and active partners with international peer groups and agencies.

There is collaboration between the government and private sectors to ensure that the Bahamas remains an impressively regulated international financial centre.

In order to meet international standards for transparency and tax cooperation, The Bahamas has entered into 33 Tax Information Exchange Agreements (TIEAs). On March 20th, 2010, The Bahamas achieved the G20 standard on Transparency and Cooperation in Tax Matters. This standard was first promulgated by the Organisation for Economic Cooperation and Development (OECD) in the 1990s. The integrity of the jurisdiction is evidenced by the following:

- a. A Strong Anti-money laundering, counter financing of terrorism Regime;
- b. Tax Transparency and Cooperation
- c. US Foreign Accounts Tax Compliance Act implemented (FATCA Compliance); and
- d. Commitment to Automatic Exchange of Information/The Common Reporting Standard

Equity Bank And Trust Bahamas is devoted to the integrity of the financial services industry within the regulatory framework set out above, and thereby remains fiercely committed to your success. ■

**The Bahamas is fully committed to effectively implementing the Common Reporting Standard (CRS) for the responsible Automatic Exchange of Information. In furtherance of this, on June 20th, 2017 The Competent Authority advised all financial institutions (FIs) as follows:**

1. The Government of the Bahamas has taken a policy decision to implement CRS by way of the Multilateral Convention on the Mutual Administrative Assistance in Tax Matters ("Multilateral Convention") on a non-reciprocal basis.
2. The Bahamas will implement CRS using the "wider approach" which means that FIs will need to collect and retain the CRS information for all account holders. This approach requires FIs to collect and retain the information, ready to report, in relation to all non-residents. The CRS information will not be transmitted to The Competent Authority until FIs are notified to do so by the Competent Authority.
3. FIs will therefore carry out due diligence procedures in relation to financial accounts even if the account holder (and any controlling person of the account holder) is a tax resident of an overseas jurisdiction that is not a reportable jurisdiction. However, FIs are only required to submit the mandatory information regarding reportable accounts to The Competent Authority when requested to do so.
4. The review of Pre-existing Lower Value Individual and Entity Accounts must be completed by **31 July 2019**. These accounts would be reported and exchanged in 2019.
5. The review of Pre-existing High-Value Individual Accounts must be completed by **31 December 2017**.
6. Financial Institutions must complete their initial registration by **30 June 2018** or, if an entity becomes a **Financial Institution** after **30 April 2018**, registration must be completed with the Competent Authority at the next available registration date after the entity became a Financial Institution.
7. Financial Institutions must complete their reporting to the Competent Authority by **31 July, 2018** for the **reporting period from 1 July 2017 to 31 December, 2017**.
8. Financial Institutions must complete their reporting to the Competent Authority by **31 July, 2019** for the **reporting period January 2018 to 31 December, 2018** and by 31 July of each year thereafter for the reporting period of January to December.
9. First exchanges of information by the Competent Authority to partner jurisdictions will occur on 30 September, 2018 and on **30 September of each year thereafter**.
10. A Financial Institution is not required to perform review procedures on any accounts that were closed before **July 1, 2017**. In the case of an account closure, the Reporting Financial Institution must only report that the account was closed (i.e. not the balance).

### Key Dates Under CRS

The following are key effective dates for the implementation of the CRS in The Commonwealth of The Bahamas:

1. Pre-existing Accounts are those in existence as at 30 June, 2017.
2. New Accounts requiring a self-certification by the customer are those opened on or after the 1st of July, 2017. For New Accounts a self-certification containing both the TIN(s) (where issued by the jurisdiction(s)

# New Bahamas Legislation Provides Clarity to Crypto Participants

The Securities Commission of the Bahamas (SCB) has released a draft of the Digital Assets and Registered Exchange Bill, 2019 (DARE Bill) for further industry and public consultation as the country prepares itself to allow properly regulated crypto participants to become part of its already highly developed and experienced financial services sector.

The DARE Bill provides for the regulation of the issuance and sale of digital tokens, and for



**We recognize that digital assets, while in their infancy, are already a consideration for many clients – L. Michael Dean**

the regulation of the conduct of those issuing digital tokens and those providing intermediary services related to the issuance of digital tokens. It also provides clarity with respect to stable coins.

Specifically, the Bill creates a legislative structure by which persons who wish to participate in the digital token space are guided on the requirements for entry into and participation in the industry. These requirements stipulate who may participate, the level of capital required, the rules for reporting and seeking the Commission's approval, and the penalties for failure to comply.

Additionally, the rules stipulate that participants must adhere to established Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) laws, must take data protection measures related to the personal information of clients, and must implement measures to prevent data breaches which would jeopardize the crypto assets of clients.

The comprehensive Bill will provide participants in the digital token space with clear rules

of entry and operation in the Bahamas' crypto market.

The new proposed regulations provide clarity not only to crypto exchanges and crypto custodians but also companies conducting ICOs (initial coin offerings) that want to base their business in The Bahamas.

The legislation's crypto exchanges requirements are applicable not only to fiat to crypto exchanges but also crypto to crypto exchanges as well as both centralised and decentralised exchanges.

"We recognize that digital assets, while in their infancy, are already a consideration for many clients," said **L. Michael Dean**, Managing Director of Equity Investment Fund Services Limited. "And this interest will continue to grow. That is why we are very supportive of the way SCB is approaching the regulatory environment for crypto participants in The Bahamas. It is in line with the steps The Bahamas has taken to ensure the broader financial services industry continues to meet international standards for cooperation and transparency."

SCB's approach to the DARE legislation and its implications to crypto participants is consistent with its commitment to Risk-Based Supervision (RBS) which has become the dominant approach to regulatory supervision of financial institutions around the world.

At a recent industry presentation Deputy Prime Minister and Minister of Finance **Peter Turnquest** said DARE is designed to enable The Bahamas to have a clear competitive advantage with respect to digital assets.

"We are seeking to create a proper regulatory framework for digital assets that will safeguard the country's financial service industry and shore up its global competitiveness," said the Deputy Prime Minister.

"The whole issue around crypto currencies and assets is a very dynamic and moving initiative," he said. "We have been very deliberate in ensuring that we have the right regulatory environment to facilitate the types of requests we have received from crypto currencies, crypto assets and exchanges to locate here." ■



PHOTO: THOUGHT CATALOG/UNSPLASH

as well as investment in new areas of financial services.”

The Minister contended that the Bahamas brand is to represent a label of quality, creativity, innovation and technological advancement. “We live in a knowledge based era, where these things are the key to future advancement. We must develop a Financial Services Technology and Innovation scheme where research centres and innovation libraries can be bred for user experience, data science and machine learning. This is where technological advancement is, it is happening now and we have to embrace it.”

The commitment of the Government to education as the means for transformation was emphasized when in closing the debate on the 2018/2019 budget **The Honourable Dr. Hubert Minnis**, Prime Minister of The Commonwealth of The Bahamas announced that beginning in September 2019, all full time Bahamian students who meet certain entry requirements for the University of The Bahamas will receive free tuition. “This major investment in education will help scores of young people to realize their dreams as we build a more equitable society,” said the Prime Minister.

With respect to the ease of doing business, Minister Symonette noted that the ease of doing business touches across the whole economy of The Bahamas, but is of particular importance to the Financial Services sector. “There has been a lot of talk surrounding this issue, but the goal of eliminating unnecessary bureaucratic protocols and practices in our administration for daily business operations is coming to fruition,” he said.

He said while improvements in the business license process are in its infancy phase, the business license fee for new businesses have already been eliminated over the past year. “Already, we are seeing greater communication



## **Signing on to these initiatives sends a loud and clear message to our international counterparts that The Bahamas is serious in its commitment to adhering to international standards**

between departments where the provision of information between agencies is being streamlined,” he said. “This has enabled most of the transactions for obtaining a business license to occur in one place.”

In outlining some of the upgraded efficiencies brought forward by the government, Minister Symonette cited improvements and advances in the Registrar General’s Department, but there are plans to increase efficiencies even more to improve processes for turnaround time and accessibility of information.

He went on to highlight efforts to streamline the account opening process: “We are also looking at amendments to legislation coming from the Central Bank of The Bahamas, around making the process about Know Your Customer, Money Laundering and Terrorist Financing less regimented and more fluid, effectively making it easier to open accounts and transact business.”

In addition to the initiatives outlined above, the Government is also engaged in discussions with the Governor of the Central Bank on calls to relax exchange control and the Securities Commission of The Bahamas is also making amendments to the Investment Funds Act which will aid to enhance this service.

While taking steps to ensure that there is a cadre of professionals to support the sector and seeking to ensure that persons who choose to do business in The Bahamas do not encounter obstacles, maintaining the integrity of the jurisdiction also remains a priority for the Government. The Minister emphasized the Government’s commitment to keep abreast and compliant with global financial initiatives. Last year, The Bahamas signed the Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Convention and Competent Authority Agreement for the OECDs Common Reporting Standard on the Automatic Exchange of Information. The first exchanges will commence in September of this year. The Bahamas also became a member of the Inclusive Framework for the implementation of Base Erosion and Profit Shifting (BEPS) and is working assiduously to implement the BEPS minimum standards and to meet its commitments to the EU directives by the end of 2018.

Signing on to these initiatives sends a loud and clear message to our international counterparts that The Bahamas is serious in its commitment to adhering to international standards relative to tax compliance and cooperation.

Not only is The Bahamas the ideal location as it is in the same time zone as both Miami and New York, hence optimally situated to be an epicentre of business and investment activities for those considering to function in and nearby the Americas, but it has a government and financial services industry committed to keeping pace and taking leadership on all fronts from technology to business efficiency and financial integrity. ■



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