

Lion's Roar



NEWS from Equity Bank And Trust | Nassau, The Bahamas | Winter 2020 | equitybahamas.com

IN THE NEWS

The Calming of Crypto Seas

The Great Crypto Crash of 2018 saw cryptocurrency markets plummet 80 per cent according to Bloomberg.com. Some considered it comparatively worse in volatility than the Dot-Com Bubble. Despite that tumultuous period stable coins have continued to become an attractive alternative to traditional cryptocurrency options providing a more predictable and less volatile digital asset option. They are backed by a number of assets to create intrinsic value, including but not limited to fiat currency (a single fiat currency or multi fiat currencies), gold, other commodities, real estate, or other stable coins. In order to prudentially ensure fiduciary safe keeping of these assets, and for verification purposes, private banking tools are of interest.

Private banks have specialized in the art of being responsible custodians and have the infrastructure to ensure that compliance and due diligence is in order regarding the assets being held in custody. In particular, the Bahamian

trust can serve such a purpose. The Bahamas is one of the progressive jurisdictions in the world for innovative and premier trust legislation and is a fertile environment for the creation of defensible wealth management structures.

When considering the importance of protecting the value supporting a stable coin or token, one must take into consideration creditor protection, financial planning, accounting and conscientious administration to name a few of many altruistic traits of the Bahamian trust administered by a professional trustee such as Equity Bank and Trust Bahamas

Limited. In the horizon of hope for future growth and virality of a stable coin, it must also adopt the frame of thought of sustainable longevity. A professional trustee is a palatable fit for such a scenario as a professional institution is fully equipped with business continuity and succession plans and institutional knowledge and is not subject to the disruption caused ▶4



PHOTO: AUSTIN DISTEL

MORE NEWS...

- **Equity's Business Continuity Plan** | 3
- **Hon. Elsworth Johnson: Tax Neutral Bahamas** | 4
- **Why The Bahamas Is the Clear Choice** | 6
- **US Markets Overview** | 11
- **Banking Implications of Legalized Marijuana** | 15

EQUITY BANK AND TRUST

Crypto Asset Suite of Services Launches

Building on, and informed by, more than 32 years of professional excellence, Equity is compliantly unveiling its much anticipated FinTech products and solutions, namely its crypto asset suite of services, as an extension of its private banking toolkit.

"Financial services have increasingly continued to transform digitally," says **Ivylyn Cassar**, Group Chairman. "To progressively respond to client needs, the financial community must adapt and bring together compliant protocols, education, and services to remain relevant to the current financial services industry. Equity continues to remain agile and responsive to the needs and interests of its clients and prospective clients in an ever-evolving financial marketplace and global economy."

Equity's crypto asset services include:

- Custody accounts for crypto assets
- Online banking access to view periodic reports of one's crypto asset portfolio
- Real estate Crypto Sales Liquidations
- Crypto Asset Liquidations generally
- Crypto Asset Trade Execution (Buy, Sell, Transfer, ▶18

Equity Announces Northern Trust Partnership



Equity Bank And Trust Bahamas Limited is pleased to announce that Northern Trust has officially become its key US\$ correspondent and custodial partner. "This is an important development in expanding our service offerings to our international client base," said **Dillon Dean**, Group Chief Executive Officer at Equity Bank And Trust Bahamas Limited. "We are also enhancing our External Asset Managers desk by providing non-resident financial institutions in The Bahamas with access to these vital services."

Northern Trust has a legacy of providing outstanding services and expertise in the US and in more than 20 other international locations. "We are proud to be associated with a partner that shares our uncompromising client-centric commitment to professionalism and integrity in delivering exceptional services and inspiring confidence and security among clients around the world," said Mr. Dean.

The Northern Trust arrangement is supplemented by Swissquote and additional reputable partners for non-US\$ transactions and requirements.

As an independent, boutique bank, trust and other financial services provider, the Equity Group designs custom made products and services to meet specific needs of high net worth individuals, families and institutional

Northern Trust has a legacy of providing outstanding services and expertise in the US and more than 20 other international locations

clients. It's wholly owned Bahamian company status inures it from decision-making from afar allowing us the flexibility to respond quickly to any client situation or opportunity.

With a host of custodial services and personal banking facilities, Equity Bank And Trust Bahamas Limited delivers close in house control over a client's confidential information while at the same time adhering to international

standards under the regulatory and licensing control of the Central Bank of The Bahamas and the Securities Commission of The Bahamas.

Equity's efficiently conducted and discreetly managed private banking services include:

- Custodial Services of assets with Equity Bank and Trust Bahamas Limited
- Interest bearing deposit accounts (\$250,000 minimum)
- Tax efficient fiduciary deposit options
- Treasury services
- Cash management including currency transfers
- Cash and portfolio backed loans
- Foreign exchange in all major currencies.

"We also provide a single point of contact for all investment in formation, allowing investors to monitor, control and analyze their investment portfolios through the centralization of investments within one bank, irrespective of where or how those assets are managed," said Mr. Dean. ■

In Case of Hurricane: Business As Usual

The primary goal of an effective business continuity plan (BCP) is to ensure that our clients experience minimal disruption to their services, and staff are able to continue to provide these services as efficiently and effectively as possible. We have always maintained a complete business continuity plan, however in light of the most recent super storm Dorian we have ramped-up our BCP.

We are pleased to discuss the key aspects of the plan which demonstrate our ability to mitigate the effects of business continuity issues as well as quickly restore all significant business processes post event, and therefore provide the services are client appreciate.

The potential external catastrophic events we may face from time to time include hurricanes, power failures, communication failures and network intrusion. For physical events, we have performed a comprehensive review of our current resources, the location of our primary premises and our on-island backup site. We have a prescribed a two tier approach, the first involving a virtual office in a jurisdiction not too susceptible hurricanes and the second is to harden our current facility against this type of disaster and relocate our local backup facility. Regarding information technology (IT) matters, we have established redundancy systems at our backup site and at our off-island backup site.

Equity protects against planned and unplanned server outages, providing uninterrupted access to a live environment. With this smart solution, we can recover a lost file or entire infrastructure within minutes. This ensures a peace of mind.

All communications will be re-established through Equity's unique business continuity solution that will allow all inbound and outbound calls to be seamlessly re-routed to a safe jurisdiction to assure all telecommunications is restored. Both local and international telephone numbers will be provided to

all clients to ensure communication is never severed.

The planned IT control room will accommodate three IT personnel that will constantly monitor all operations and act as the first tier BCP environment.

Generally speaking, prior to the occurrence of a major storm, a team will be deployed to activate the virtual office. The team will have full functionality of all significant processes and will be able to operate until the primary premises are fully operational.

Based on our review and confirmation by a leading coastal engineering firm, we have confirmed that the loca-

tion and elevation of our IT and filing rooms on the second/third level are adequate for major hurricanes or floods. The IT room will be located in a hardened concrete wall room, with redundant air cooling system. In addition, typically with events such as this there is a loss of electricity and communication services. The company will have at its disposal the following:

- Generator capacity of powering the entire premises
- Adequate backup fuel resources for (5 - 7 days)
- Acquiring a solar array system capable of supporting the generator in the event of its failure
- Acquiring an enterprise water supply system, which will provide redundancy to the city supply
- Purchasing a supply of 2 - 3 satellite phones, and
- Purchasing a satellite internet modem, capable of providing services to approximately 10 devices.

We are dedicated to reviewing our plan on a periodic basis to ensure that we are able to include the most efficient resources to maintain service to our clients and business partners. ■

Chicago, headquarters of Northern Trust



PHOTO: PEDRO LAZTRA



PHOTO: SHASHANK SAHAY

Clear Waters: Tax Neutral Bahamas is Ideal for Business

☞ The Honourable Elsworth Johnson, Minister of Financial Services, Trade and Industry and Immigration

International financial centres such as the Bahamas play an increasingly important role in the global economy. The jurisdiction is a tax neutral environment, which is to say that its taxation avoids the distortions and the corresponding deadweight loss that occur when price changes cause fluctuations in supply and demand.

Tax neutrality can also ensure that the tax system raises revenue, while minimizing discrimination in favour of, or against, any particular economic choice. This, in turn, implies that the same principles of taxation should apply to all forms of business, which further reduces the likelihood of biasness when it comes to economic decisions. The system in the Bahamas applies all of these beneficial principles.

Transparent Environment

Wealth management accounts for a large part of the jurisdiction's financial sector. For many high-net-worth individuals, banking and wealth management outside one's home country are simply good business and a wise avenue for investment. There are several reasons for this.

First, multi-national and multi-genera-

tion families and family businesses find that they can preserve their wealth for the long term and transmit it to younger generations with ease when they site some of their assets in a jurisdiction with trust laws. Their home jurisdiction might be subject to civil unrest or have a history of political or financial instability, while its government might want to expropriate their wealth and subject them to capital controls.

It is therefore important for HNWI's to offset these risks by keeping at least some of their assets in a jurisdiction that does not suffer from these problems. Further, international banking and wealth management centres often



PHOTO: AL RAHMING

possess financial products and services that are superior to those found in their home countries.

The Bahamas requires businesses and other entities to disclose information to the government about the ways in which they generate their income and the amount of tax they pay. The jurisdiction can also be said to be tax transparent because it follows the doctrine that nations ought to exchange information with one another about people's and entities' tax affairs – on request in some cases and automatically in others.

The Bahamas also has "economic substance," which is a term used by the Organisation for Economic Co-operation and Development (OECD). It describes a desirable situation in which every relevant entity conducts "core Bahamian income generating activities," which are directed and managed in an appropriate manner in the Bahamas. It also relates to these entities having adequate operating expenditure, physical presence and a certain ►10

► CALMING OF CRYPTO SEAS | from front page

by the death of an individual trustee.

A trust also provides the organization required for frequent audits and attestations, which are vital to preserving transparency of the peg of the stable coins to the underlying collateral. Rather than simply drawing their valuation from the forces of supply and demand according to fiefdoms of use cases and speculation, stable coins are an attempt to gain the trust of consumers and vendors by addressing concerns of volatility.

Since cryptocur-

rency made its entry into the world on January 3, 2009, with the release of the inaugural Bitcoin, there have since been many stable coins created, beginning in 2014 and speedily accelerating ahead to current date. Data sources report 213 announced stable coins at various levels of development and regulatory

satisfaction, 29 per cent of which are available for use, and 147 of which were announced just in 2018 (correlatedly coinciding with the Great Crypto Crash) and 20 of which were announced during Q1 of 2019.



According to the Medium.com stable coins as of December 2018 represent \$3 billion worth of capitalization as well as 26 per cent of the cryptocurrency daily trading activity. Many of today's entrepreneurs and thinkers are therefore in a passionate relentless race to be the preferred final evolution of the most preferred crypto asset within a maturing crypto ecosystem. Some countries are permitting these innovations in the hope to modernize their economies, bridging the gap between the current financial system and emerging modern technology to

drive efficiency, transparent transaction verifiability and inclusivity using this innovative medium of exchange.

For instance, the British Virgin Islands has recently partnered with a private company LifeLabs to create a stable coined backed by the US dollar on a 1 to 1 basis that is being referred to as "BVI-LIFE." The Bahamas has also evinced leadership in its announcement of the upcoming BSD digital currency being dubbed the Digital Sand Dollar, for initial release during 2020.

International Monetary Fund studies and press releases suggest that as of 2018 at least twenty governments are ambitiously making strides toward a Central Bank Digital Currency (also an alternative to non-governmental stable coins). A BIS (Bank For International Settlements) Survey has also revealed that 70 per cent of 63 central banks are pursuing blockchain research and development. This innovation is made possible due to the accessibility of the underlying blockchain infrastructure,

including the use of smart contract issuances on chain. There is nonetheless a difference between a public blockchain and a permissioned private blockchain, but all provide a general ledger approach to documenting the transactions conducted using the stable coins.

Types of stable coins include fiat-backed stable coins (which are the most traditional of them as fiat is a very familiar store of value which is government-backed even if the stable coin itself is not); traditional collateral backed stable coins (which may include other diverse assets such as gold and real estate); crypto-collateralized stable coins (backed by an assortment of other crypto assets classes, such as Dai which is a part of the MakerDAO system); and the final outlier type being algorithmic stable coins (which do not actually have any collateral backing but attempt to use algorithms to dynamically manage the amount of stable coins supplied to the market in an attempt to maintain a

pegged value).

Despite the best efforts of stable coins, however, there are instances of deviations in pricing of stable coins from their intended pegged parity due to forces such as transaction fees and trading activity. The most prudent entrepreneurs and entities must therefore take a vigilant account of these required fees and employ fiduciary corporate services to carefully observe and professionally monitor the parity promise being conveyed to the public. Moreover, as with any assets held in custody by a private banking institution, the asset management department may cast light on sensible conservative investments that are interest-yield bearing to be able to offset costs and to keep pace.

Despite the decentralized nature of blockchain, ironically for the foreseeable future there remains an essential role for financial institutions to play as intermediaries complementing the process given their invaluable toolkit

of experience and credibility with handling financial matters, especially regarding compliance and regulatory adoption. In addition to the compliance responsibility surrounding the crypto industry and the evolving legislation locally and globally, it is invaluable to have the correct compliance protocols and background checking software in place to uphold KYC and AML expectations.

Another fragile topic as it relates to stable coins is the process around the redeemability of the tokens for their underlying collateral proportionately, which can be handled dutifully by a financial institution.

As stable coins continue to be an undeniable trend, as they take root and expand their branches, Equity Bank And Trust Bahamas Limited remains open to a compliant approach to assisting in providing the professional services many expect to underpin these innovative alternative mediums of exchange. ■

The Bahamas: The Clear Choice for International Financial Services

It is not by chance that The Bahamas is the most successful international financial centre in the Caribbean today. More than 80 years of thought, effort and co-operation have produced ideal conditions for (ultra)-high-net-worth individuals, families and businesses to manage their wealth efficiently in comfort and style.

The country's mature financial services industry, established infrastructure, progressive government, tax neutral environment and luxury lifestyle have all been carefully cultivated to satisfy the specific needs of this most exclusive clientele. The many advantages of doing business in The Bahamas are as clear as the crystal waters surrounding the 700 islands of the archipelago:

• Strategic Location

The Bahamas is situated at the crossroads of the Americas, just 65 miles off the east coast of Florida. It is an ideal hub for regional investment and business in the Eastern United States and Canada, and much of Central and South America.

• Political and Economic Stability

The Bahamas has an outstanding record of political and economic stability, progress and stewardship. With more than 280 years of uninterrupted parliamentary democracy, it has been an independent nation since 1973, and retains a Westminster-based system of Government and an English-based legal system.

• Wealth and Asset Management Options

The Bahamas offer owners of capital a broad choice of financial institutions that deliver myriad services including banking, private banking and trust services, investment fund administration, capital markets, investment advisory services, accounting and legal services, e-commerce, insurance and corporate and shipping registries.

• Physical Resources

The Bahamas has developed its land, premises and fit-for-purpose infrastructure with the singular focus of facilitating international business.

• Human Capital

The Bahamas has a highly educated local workforce and a long tenure in financial services excellence which has created a deep pool of skill and experience that is recognized and trusted worldwide.

• Investment Policy and Incentives

The Bahamas' government is committed to building an economic environment in which free enterprise can flourish.

REGULATION: COMMITTED TO COMPLIANCE

The strong regulatory regime that characterizes the financial services sector ensures that the Integrity of The Bahamas as an international financial centre is maintained. As a sovereign nation for more than 40 years, 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 regarded and active partners with international peer groups and agencies. There is collaboration between government and private sector to ensure The Bahamas remains a well regulated, blue chip international financial centre.

The regulatory regime governing the financial services industry of The Bahamas embodies as they say, not only "the letter" of international best practices, but indeed "the spirit" of the overarching regulatory principles. The Bahamas' approach to the evolving international regulatory environment has been participatory and proactive, including the country's leadership in advancing the principle of a "level playing field."

Broadly, global regulatory initiatives have revolved around three issues: combating misuse of the financial system; making it more difficult to evade taxes; and increasing transparency. Sweeping regulatory reforms in 2000 and continued measures to strengthen compliance, in step with international efforts, has characterized the jurisdiction's anti-money laundering/counter financing of terrorism (AML/CFT) regulatory structure. Ongoing strengthening includes the jurisdiction's compliance and commitments to the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force (FATF). The FATF's mutual evaluation report (MER) of The Bahamas was adopted in May 2017. In December 2018 in its first Enhanced Follow-up Report (FUR), the FATF acknowledged The Bahamas' progress in addressing certain technical compliance deficiencies which were identified in The Bahamas' MER. Favourable re-ratings were given on 13 recommendations.

In line with the global requirement, The Bahamas is also in compliance with the United States' Foreign Accounts Tax Compliance Act (FATCA), since 2014. The Bahamas is also a participant in The Multilateral Convention on Mutual Administrative Assistance in Tax Matters/The Common Reporting



LOCATION: LIVE, WORK AND PLAY

The unique geographical location of The Bahamas, just 50 miles off the coast of Florida and positioned as the gateway to the wider Americas, is an undeniable advantage for The Bahamas.

In recent years, as more and more individuals have chosen to "follow their money" with respect to where they live and work, The Bahamas with its tropical environment has become the preferred choice for many who yearn for an excellent quality of life while being able to manage their financial affairs.

Most importantly, individuals, family offices and institutions will find a warm welcome when they come to The Bahamas as the country is committed to utilizing its natural resources and cultivated assets to create an environment that is attractive to business and the enjoyment of life.

To meet the diverse and sophisticated tastes of travelers and residents alike, The Bahamas offers something to suit every taste: rest and relaxation, family fun and entertainment, or adventure and exploration. With miles of natural sand beaches, out-door attractions, luxury resorts, golf, casinos, restaurants and shopping, there is no shortage of exciting things to do.

Gated waterfront communities packed with lifestyle amenities from golf and tennis to spas and marinas are attracting more second and third-home buyers from North and South America, Europe and the Far East.

One of the newest and most popular investment vehicles is the condotel, a condominium or single family residence that converts into fully-furnished, upscale accommodations, managed by a resort company and rented when not owner occupied.

The Bahamas is a service economy accustomed to providing concierge residential management services for homeowners who are not in residence.

Direct flights are available to The Bahamas from 18 US cities, Canada, the UK, Europe and Panama; and the country has numerous ports of entry and marinas.

Standard and is implementing The Base Erosion and Profit Shifting Initiative's Minimum Standards. Legislation was also passed in December 2018 to introduce substance requirements for commercial entities, eliminate preferential regimes and to ensure timely access to adequate, accurate and current beneficial ownership information.

EXPERTISE: PRIVATE WEALTH MANAGEMENT

With an 80 plus year track record in financial services, few jurisdictions offer the wealth management experience that The Bahamas has to offer. This heritage is the basis for the strong legal framework that has been cultivated for financial services, an investment climate that has been nurtured through years of maturity and a stable and predictable business environment anchored by the thousands of Bahamian wealth management professionals who work side-by-side with expatriate colleagues

in the more than 250 financial institutions that call The Bahamas their home.

Private wealth management continues to be the centre stage for financial services in The Bahamas facilitated by a diverse suite of products of which banking and trust services are the centrepieces.

INNOVATION: COMPLIANT CLIENT SOLUTIONS

Market responsiveness has long been a part of The Bahamas' DNA as a forward thinking IFC, and has been the basis of legislation creating innovative, client-centric products and services in a modern, compliant regulatory regime.

Such innovation can be seen in the country's evolving and often ground-breaking trust legislation. It has also thrust The Bahamas into the forefront of the investment funds industry with the introduction of SMART Funds and the Investment Condominium (ICON) fund.

Financial Services in The Bahamas Adapt to a Changing Landscape

The growth of our economy necessarily requires change, and change is never a comfortable endeavour. Some of the changes will inevitably call for reform and structural transformation, sometimes involving cultural shifts; technological upgrades, training and retooling as we strive to modernize our economy and position ourselves to take advantage of the abundance of opportunities fueled by the global changes happening around us.

However, we cannot continue to do the same thing and expect a different result. An expanding, buoyant and competitive economy demands that we make some difficult but necessary changes. No matter how difficult those discussions may be, they must take place, as they are in the best interest of our country as a whole.

The question foremost on the minds of many Bahamians is how is The Bahamas to respond to the rules of engagement by the international system in which we operate as a sovereign independent country. What would it mean for The Bahamas as a small developing country operating in that system and the implications for those areas for which I have ministerial responsibility, areas of particular concern and sensitivity for a small country such as ours.

For over 80 years The Bahamas has maintained a successful track record of competing for Foreign Direct Investment and offering wealth management services. One of the key reasons for this success is The Bahamas' position as an internationally recognized centre for the provision of financial services.

Globally, we are small in size although strong in the products and services we provide. This position is being challenged by the global consolidation of advancement in technology, regional economic weakness, competition from other financial centres both

onshore and offshore, and global regulatory pressures which have strained national resources.

To maintain our success we have begun to lay the cornerstone for the strategic vision for financial services 2025.

This Strategy has a clear vision for The Bahamas as a recognized location of Choice for specialist international financial services which builds on our strengths in local human resource talent, technological advancement, product and service innovation, established infrastructure, excellent client service, friendly investment policies and incentives, and flexible adaptability to change management in a well-regulated environment.

The Government believes that continued alliance between government and the private sector as well as collaboration with regulators, both domestically and internationally, is critical if we are to grow the industry while preserving jobs for the many Bahamians who work in the sector.

In years past, the word "offshore" conjured up negative imagery about financial centres.

Unfortunately, the word still sometimes casts a shadow on the continuing success and tremendous growth of legitimate business in private banking and wealth management particularly in well-regulated jurisdictions like The Bahamas. This jurisdiction has been and remains unwelcoming to those who attempt to engage in questionable, nefarious activities and financial crimes.

It is the Government's belief that given the importance of the sector to our economy, it is imperative that we articulate our legitimacy as a responsible, well resourced, compliant international financial centre focused on real international business, a centre committed to the highest possible standards of service delivery, transparency and cooperation. This Government is committed to maintaining the integrity of the financial services sector and remains committed to ensuring full transparency with our international obligations while balancing the need for safety and confidentiality to our clients. This is the message we seek to articulate to our customers and international partners.



INTERNATIONAL REGULATORY INITIATIVES

It is a known fact that the financial services industry has undergone many changes in recent years and that the global regulatory environment in which we operate continues to expand. The sector has experienced pressures to change and adapt to what is taking place internationally.

In response we strive to develop new products for our clients, revise policies, create and amend legislation all in an effort to remain current within the ever-changing global environment.

The Bahamas has been proactive in complying with international regulatory initiatives in the global fight to increase tax transparency for the avoidance or evasion of taxes, combatting money-laundering, the facilitation of terrorist financing and the illicit use of our financial system.

We will not allow our financial services sector to be compromised. We remain committed to ensuring that The Bahamas continues to be a transparent, clean and compliant jurisdiction.

We have demonstrated our commitment to respond to these international regulatory initiatives developed by the OECD, EU and the FATF. We allocated human and monetary resources to ensure the enactment of the necessary legislation, the implementation of the policies and processes and the enforcement of these actions.

THE ROAD AHEAD: FINANCIAL SERVICES VISION STRATEGY 2025

The vision is "To strategically position The Bahamas as a distinctive niche service provider in global financial services" for long-term sustainability.

We know that current trends dictate a more technology driven sector that is becoming more increasingly knowledge driven. We must ready ourselves to adapt and cater to these changes through our products and services offering, while also leveraging our existing strengths as we seize other opportunities being created through new and emerging developments.

This calls for greater expertise and

specialized professional skills and knowledge. Proper research and study. And the development of the proper infrastructural base with the requisite policies and processes that will allow the ease of transition and an atmosphere of entrepreneurial growth.

While there has been some effort in the advancement of these goals, there is a serious need for a more deliberate and strategic undertaking to achieve them.

The Ministry of Financial Services plans to undertake a study that will

The vision is to strategically position The Bahamas as a distinctive niche service provider in global financial services

analyze the current state of job roles in the financial services sector and how they can be augmented as technologies are leveraged to enhance or improve the performance of these roles. The intent of the study will be to identify emerging job roles that would grow in demand with the adoption of FinTech, data analytics and automation in the financial services sector.

The purpose of this study will be to provide a compass for financial institutions and individuals to prepare themselves for the future of work as the use of data analytics and automation become pervasive in the financial services sector.

Business transformation alone is not enough. We also need workforce transformation. This study will help us uplift our workforce, harness the power of data analytics and automation, and make The Bahamas financial services sector more efficient and more competitive.

NEW BUSINESS FRIENDLY IMMIGRATION POLICY

The Ministry of Financial Services, recognizing the importance of a modern, progressive "national develop-

ment-focused" immigration framework for the growth of the financial services sector has developed a three-year, tax residency programme which could serve as a gateway to more permanent residence options for HNWI investors.

There is no renewal for this programme. It entitles the successful applicant to the right to reside in The Bahamas for a period of up to 3 years and to be issued a certificate of tax residence in The Bahamas (certificate is issued for only three years for transparency purposes, must prove criteria for eligibility still exists).

The Bahamas must be the main residence or home. One must show stability and permanence and/or at least 90 days and declare that less than 183 days is spent in any other single country or will otherwise be subject to the "substantial presence test."

The Tax Residency Certificate will be issued with a special NIB TRC number. In order to be eligible for a tax residency certificate, the resident must pay the relevant fees and make an annual payment towards National Insurance at the rate and maximum wage ceiling for that particular year or be subject to another applicable tax. Economic permanent residency remains at \$750,000.

The Ministry has also recognized that the issue of residency is an important matter given global developments on tax transparency. The OECD released its Standard for Automatic Exchange of Financial Account Information which has, as the basis of information sharing, a self-certification process for establishing residency for tax purposes. In this regard, the concept of "residency" and specifically "tax residency" in The Bahamas had to be carefully defined, especially if The Bahamas is to remain progressive and ahead of the changing global dynamics in international financial services.

Together we will be able to respond to the challenges and maintain the soundness and stability of our financial services industry. There is still much work to be done. We will continue to strengthen this position to ensure that our financial services sector remains a key pillar of future economic growth. ■

number of its employees within the country.

A Shared Commitment

Financial services are the second most important industry in the Bahamas after tourism. As such, successive governments have recognized the importance of the industry to the country's continual economic and social development. The financial sector's viability is therefore a priority for both public and private sectors alike.

This level of importance is indicated by the responsiveness of the legislature and regulators to the needs and demands of the market, as well as the swiftness with which these processes can take place. It is also demonstrated by the balance that regulators strike between ensuring that the financial services industry keeps its integrity, while still encouraging lively competition. What's more, the Bahamas has a

government ministry dedicated solely to financial services, and a shared commitment exists between the public and private sectors to help promote and develop the industry.

In order to highlight the Bahamas' strengths as an international financial centre, the Bahamas Financial Services Board (BFSB) was established in April 1998. It is funded both by private enterprise and by the government, and continues to promote greater awareness across the globe.

Fiscal and Economic Stability

Representatives of the International Monetary Fund (IMF), of which the jurisdiction is a member, visited the Bahamas at the end of last year. "The Bahamian economy continues to recover, with real GDP growth projected to reach 2.3 percent in 2018 and 2.1 percent in 2019; and the Fiscal Responsibility Law (FRL) will support

the government's efforts to secure fiscal sustainability and put debt on a downward path," reads a report from the organization's visit.

Indeed, the legal system in the Bahamas has been very successful in helping the country respond effectively to the changing needs and demands of the market. It is based on English common law, which is (by and large) clear and simple for its users to understand.

As an independent nation with a financial services industry bolstered by a strong public-private sector partnership, the Bahamas responds to shifts in the market swiftly and efficiently. Adding further to the jurisdiction's status is the fact that the Bahamas belongs to the Commonwealth of Nations, while the ultimate court of appeal for judgements issued by Bahamian courts is the Privy Council in London. ■

Commercial passengers, private jets and goods shipped from Freeport enjoy pre-clearance to the United States. US pre-clearance for commercial passengers also exists from Nassau.

The Bahamas has a number of excellent private schools in New Providence and Freeport, several of which have been internationally accredited by ECIS and NAIS, the two bodies that accredit the leading European and North American schools.

There are two major hospitals in New Providence and one in Grand Bahama, staffed by internationally trained doctors capable of handling all major procedures. Medical facilities in the United States are also easily accessible from The Bahamas.

RESIDENCY

The Bahamas has a pathway to permanent residency (which is not the same as citizenship or tax residency). Permanent Residency allows individuals to enter, live and work in The Bahamas. The Bahamas Government maintains a

flexible immigration policy suited to the needs of international firms, individuals and families. Permanent residents can pass freely through Immigration and remain in The Bahamas for the number of days the permanent resident desires. Usually spouses and children are endorsed on the permit for a one-time government fee.

Currently the investment threshold for economic permanent residence is \$750,000 BSD (the Bahamian dollar is on par with the US dollar) on resident property. Permanent residency with the right to work in one's own business is usually suited to the individual with a family office or one who simply wants to manage investments or a business that does not interact with the Bahamian economy. This status means that an individual automatically qualifies for the right to work in The Bahamas. With an investment of \$1.5 million BSD or greater there is an expedited application process.

"Annual residence" is another alternative of residency in The Bahamas and

as the name suggests it is renewed annually. Applying for a "homeowners resident card" – while not conferring any of the privileges of permanent resident, it does assist the holder to move freely through Immigration at any port of entry.

**THE BAHAMAS:
THE CLEAR CHOICE**

The Bahamas' strong regulatory regime and its historic determination to ensure its integrity as an international financial centre, as evidenced by its most recent commitments, reflect the mindset of a jurisdiction focused on protecting and cultivating its key assets.

Regulation, as it relates to international initiatives, is the canvas upon which The Bahamas' wealth management expertise, innovative client-centric products and services and unique geographic tropical location combine to make it an increasingly clear choice for institutions and individuals seeking a premier provider of financial services. ■

US Markets Overview



As of the close of December 31, 2019, the S&P 500 was up +28.88%, and the MSCI World ended up +25.19%. Year-to-date as of the close of January 17, 2020, the S&P 500 and the MSCI World were up +2.84% and +2.42% respectively.

THE NEW YEAR HAS STARTED with a continuation of the December 2019 market rally. After an initial rise earlier this month, the market corrected on fears of a potential Iran-US conflict due to the death of General Soleimani in Baghdad. Yet these fears dissipated and the markets have continued to grind higher.

The S&P 500 is now 5 per cent away from posting its largest and longest ever rise without falling more than 20 per cent – the standard definition of a bear market. In the 1990s, the S&P 500 posted a 417 per cent return over 9½ years, but the current bull market is already longer: 10 years and 10 months and is close to breaking that all-time gain. In fact, if the S&P 500 gets to the 3,498 level (it closed January 17 at 3,329.62), it will become the longest and largest bull market ever.

However the S&P 500's forward P/E of 18.4x is also the highest since 2002. Markets are favourably responding to:

- **Clarity on the Fed maintaining rates low**
- **Strong employment numbers for November and December**
- **The signing of a phase one trade deal between the US and China**
- **Brexit looking resoundingly on the right path with the outcome of the UK elections.**

In short, 2019 was an exceptional year for almost all markets, such as world equity markets (led by US stocks), most long term government bonds, high yield bonds, commodities (gold, silver, oil, etc), Bitcoin and even forgotten markets, like Greek equities and corporate bonds.

Going forward, the general backdrop into 2020 looks constructive, with an accommodative Fed, a recent uptick in global data, Brexit on the right path, and what feels like the worst behind us with US/China trade tensions. ■



PHOTO: CHRIS LIVERANI (LEFT); LUCAS SANKEY (ABOVE)

The Bahamas: The Exacting Pace of Regulatory Reform

📁 Bahamas Financial Services Board

Recently, in an effort to comply with criteria for tax governance laid down by the OECD and the EU, the Bahamas made changes to the laws and regulations that govern its financial sector. Other nations are making the same changes elsewhere around the globe.

These initiatives include the following:

- The passing into law of the Multinational Entities Financial Reporting Act, which contains rules for country-by-country reporting in line with the OECD's Base Erosion and Profit Shifting (BEPS) initiative.
- The initiation of Automatic Exchange of Information (AEOI) with 35 jurisdictions (19 of which are in the EU) in accordance with the OECD's Common Reporting Standard (CRS), with the first exchanges having taken place in September 2018. The Bahamas has always insisted on following international best practice and has fared well in the "phase two peer reviews" to which the OECD's Global Forum has subjected it. In fact, The Bahamas has been deemed "largely compliant" with the OECD's existing standard for exchanges of information on request – the same rating as countries in the "Group of 20" (actually only 19) industrialized nations such as the UK, Germany, Canada and Australia.
- The allaying of the EU's and OECD's concerns with respect to economic substance, access to information about beneficial ownership and ring-fencing by the passage of the following legislation in Parliament in December 2018.

A.The Commercial Entities (Substance Requirements) Act 2018. This Act insists on relevant entities having economic substance. The Act defines "relevant activities"

as banking, insurance, fund management, financing and leasing, ship-ping, distribution or service centre operations, headquarter operations and holding companies with relevant activities. All will have to show (or be able to show) the authorities that they have a substantial economic presence in The Bahamas and that they are engaging in real economic activity.

B.The Beneficial Ownership Register Act 2018. This calls for the establishment of a secure search system by the Attorney General that can scan databases managed by registered agents who hold information about the beneficial ownership of entities that they manage which are incorporated, registered, continued or otherwise established in accordance with the Companies Act or the International Business Companies Act.

C.The Removal of Preferential Exemptions Act 2018. This is designed to tackle the harmful tax practice known as "ring-fencing," which occurs when a taxing jurisdiction runs a preferential tax regime that is unavailable to certain groups of taxpayer-often domestic taxpayers or taxpayers who operate in the domestic economy. In other words, it removes tax exemptions afforded to non-residents that are not afforded to residents.

The Government of the Bahamas has stated on record that it intends to

attain and maintain "the very highest levels of conduct as a clean jurisdiction, complying with the highest standards to prevent the abuse of its financial system by money launderers and criminal elements." It has promised to satisfy the requests of the Financial Action Task Force and the Caribbean Financial Task Force. Over the last 15 months the Attorney-General and the task force that he leads have done much to address the concerns that the CFATF voiced in its aforementioned Mutual Evaluation Report. With this in mind, the CFATF positively re-rated the Bahamas favourably in December 2018 in respect of various FATF recommendations.

EXPERTISE

Thousands of Bahamian wealth managers work side-by-side with their expatriate colleagues in more than 250 financial institutions that call the Bahamas their home. Private wealth management continues to stand centre stage on the Bahamian financial scene. It is facilitated by a diverse suite of products, of which banking and trust services are the centrepieces. These products and services are as follows.

A) Private Banking

Private banking has come of age in the Bahamas during the past decade. The country's banking practices and standards, regulation and supervisory controls are now on a par with those of the rest of the global banking community, although the jurisdiction continues to offer clients a great deal of privacy and confidentiality. Many of the world's largest and most prestigious financial institutions have taken advantage of the country's stable political and economic system to establish branches or subsidiary operations there, offering private banking services to high-net-worth and ultra-high-net-worth individuals and families.

B) Trusts

Since the Industrial Revolution, possibly the biggest generator of capital and the single greatest cause of wealth creation worldwide has been the private ownership of operating companies. Members of families who go into business

together, and the entrepreneurs who lead those businesses, where different, are growing more and more sophisticated in terms of their investments, their strategies and their goals. Their "footprints" are becoming more global as they cross borders and move their businesses into new territories and new types of technology. They are increasingly concerned with preserving their wealth and "succession planning" for both their businesses and their families. In summary, their lives and the plans that they are making have become more complex.

The Bahamas have some of the most innovative and sophisticated trust laws in the world. HNWLs and their families are able to choose perpetual trusts, protective trusts, trusts for purposes both charitable and non-charitable, private trust companies to administer the trusts of related settlors, trust substitutes such as foundations and pure governance structures such as the Bahamas Executive Entity. The Bahamian trust is a model of robustness and flexibility. Trust legislation in the Bahamas has always been "cutting edge" and other jurisdictions often use it as the standard to follow.

C) The Bahamian Foundation

Trusts are not often used in civil jurisdictions. More than ten years ago the Bahamas became the first common-law country to pass its own foundation legislation, thus creating a viable alternative for wealth planning and protection.

D) The Flight of the BEE

The Bahamas Executive Entity (BEE) provides the wealth manager with a nimble and innovative approach to his ever-changing needs. The BEE solves complex governance issues in fiduciary and wealth management structures, particularly with respect to share ownership in Private Trust Companies. It identifies persons willing to act in any number of governance roles in wealth structures.

E) Captives Added to Private Wealth Offerings

Captive insurance is another area of recent expansion. The Bahamas is not a newcomer to captives, but this avenue of investment took a back seat during a recent period in which the jurisdiction concentrated on developing

wealth management, trusts and estate planning. This is certainly not the case now, as the opportunity for captives to play a part in wealth management is undeniable.

Segregated cell legislation is a prime example of Bahamian activity in the captive market. It provides the assets and liabilities of each account with robust statutory protection, keeping them truly separate and distinct from those of other accounts. Cell captives benefit from the natural economies of scale that such structures create. Bahamian regulators, too, have responded vigorously to the demand among small-to-medium-sized enterprises for a cost-effective means of captive insurance or self-insurance while still upholding international standards.

INNOVATION

Innovation, as we have already said, can be seen at work in the country's evolving and often ground-breaking trust legislation. It has also thrust The Bahamas into the vanguard of the investment funds industry with the introduction of SMART Funds and the Investment Condominium (ICON) fund. ▶



Revisions to Investment Funds Act

THE GOVERNMENT OF THE BAHAMAS has updated the law with respect to the “regulation of the investment funds business which is intended to usher this Bahamian law into harmony with international standards and best practices.” In addition, the Act “expands the scope of the powers of the Securities Commission of The Bahamas in relation to regulated persons and parties related to investment funds to protect investors, the public and the reputation of The Bahamas.”

Michael Dean, Chief Executive Officer, Equity Investment Funds Services Limited, said “The amendments should provide a higher level of comfort to the investor of investment funds in The Bahamas as Investment Managers are required to maintain a higher standard of competency and responsibility.”



He added the amendments reflect the Bahamas commitment to being in accord with international standards for all aspects of its broad range of financial services offerings. “We are very supportive of the recent measures taken by the Government to sustain a competitive business environment. We have always been very protective of our clients’ interests. Updating the Investment

Funds Act adds a new layer of protection that we can offer.”

The Act and Regulations are intended to:

(i) introduce comprehensive requirements addressing applications and ongoing reporting obligations of persons required to be licensed under the Investment Funds Act, 2019;

(ii) set out the various application and other forms required under the proposed Investment Funds Act 2019;

(iii) introduce comprehensive requirements addressing the duties and obligations of licensees in the management and operation of their business;

(iv) establish a regulatory framework for operators, custodians, investment fund managers, and investment fund administrators; and

(v) establish the specific duties and obligations to enable investment funds and investment fund managers to meet the requirements of the Alternative Investment Fund Managers Directive (AIFMD).

It should be noted the regulations pertaining to the Act are still in draft at this time.

The scope of the Act applies to Equity and all registrants and licensees under the Investment Funds Act, and any such firm or individual to be registered or licensed under the Investment Funds Act, 2019; including investment funds, investment fund administrators, investment fund managers and any other parties related to investment funds.

“In order to ensure a seamless transition, we will assist all Investment Managers with the registration and licensing process,” said Mr. Dean.

He also noted that Equity Bank And Trust Bahamas Limited is a licensed Investment Firm in compliance with the Securities Industry (Amendment) Act, 2019, offering bespoke discretionary management as well as investment advisory services. ■

► **REGULATORY REFORM** | from previous page

SMART FUNDS

The Bahamas’ evolving investment funds sector is beginning to attract major attention from fund managers and has already added a new dimension to the jurisdiction’s wealth management and advisory capability. The Bahamas recently experienced an upward trend in investment fund registrations. The jurisdiction owes its success in this area largely to the investment vehicle known as the SMART (Specific Mandate Alternative Regulatory Test) fund. Even with more institutionally-focused templates such as the SMART 7, Smart Fund Models (SFM) have been used as cost-effective investment fund vehicles for families, family offices and related investors.

The SMART fund concept was conceived in the spirit of risk-based regulation. Its creators took stock of the fact that investment funds often needed to have flexible structures and reporting requirements. Regulation of each fund is adjusted to the risk profile of the fund; there is a cap on the number of investors who may invest in many of the templates. It is permissible for the investors to waive the production of audited financials in favour of semi-annual performance reports. SMART funds are numerous and there are many types of them. Promoters have an open opportunity here – if they wish, they may ask the regulator to approve a specific business case for a fund. If the regulator grants its approval, it can then impose a risk-based licensing and supervisory regime on the fund that it has created for it. Other funds can then use the new template and can even set new parameters and requirements for it.

A NEW ICON FOR FUNDS

The Bahamas have learnt from the niche-marketing success of SMART funds and taken the same innovative approach to the creation and introduction of the ICON – the Investment Condominium Fund – with the aim of meeting the needs of Latin American and especially Brazilian investment managers. The ICON is yet another

example, along with the foundations law of 2004, of the Bahamas creating products and aiming them at groups of clients with very different cultural and legal backgrounds. The ICON provides an alternative legal structure for investment funds that, inherently, is familiar to Brazilians and people in countries with similar civil laws. Plans are underway to develop a similar product that caters to other jurisdictions.

THE INVESTMENT FUNDS OVERHAUL

A complete overhaul of the law that governs the regulation of investment funds is nearing completion, with the Securities Commission of the Bahamas (SCB) in the driving seat. The overhaul includes an updated Investment Funds Act (IFA) and some forthcoming changes to the securities industry’s legislative regime as a whole. It is expected to make the Bahamas more competitive and contains the following key changes:

- **Changes in the definitions of “Bahamas-based funds” and “non-Bahamas based funds”**
- **Changes in the triggers for the licensing of funds**
- **The ability to appoint international administrators without them having to be licensed**
- **The introduction of licensing requirements for fund managers and regulatory oversight for custodians**
- **The establishment of an Alternative Investment Funds Management Directive (AIFMD) regime with a view to the Bahamas qualifying for an EU “passport.”**

These regulatory reforms promise to be of great benefit to the Bahamas and to complement the islands’ strategic location, political and economic stability, wealth and asset management options, human capital and investment incentives. ■



Impending Legalization of Marijuana in The Bahamas and Banking Implications



THE UNDISPUTABLE POPULARITY of cannabis has infectiously covered much territory, and according to the United Nations Office on Drugs and Crime (UNODC), it is the drug with the highest levels of cultivation, trafficking and consumption globally. Cannabis-while enamoured by many for reasons ranging from medicinal to spiritual to social-has had an uneven approval rating legislatively worldwide and even within countries that differentiate federal law from state law. This unique, and at times contradictory, treatment of cannabis and its derivatives makes it challenging from a banking perspective to onboard proceeds deriving from its sales depending on the international law governing the places of its growth, manufacturing, distribution and sale.

Congruence with the local laws in the domicile of the bank is also a factor. This irregular, highly opined and unstandardized cannabis judicial landscape makes it a perilous and uncertain proposition for compliant banks to consider the business because of apprehension of being considered co-conspirators in the movement of proceeds of crime and money laundering inadvertently. Ultimately, the hurdles and entangled implications of banking for cannabis businesses creates a practical hazard for the hordes ►



PHOTO: BARBARA CORBELLINI DUARTE

of undeposited mounting cash being self-managed. Within this dicey terrain for many prospective consumers and the financial services and manufacturing industries, the Government of The Bahamas has announced its intention to progressively decriminalize the personal use of marijuana and has suggested steps to conscientiously regulate the use and sale of medicinal cannabis.

The shock this will have is certainly more than political and has a multiplier effect on banking and financial services (although the sector also must be mindful of international positions on cannabis given an interconnected banking world). The positive impact on the financial services sector, which comprises 15–20 per cent of the Bahamas' gross domestic product, according to PricewaterhouseCooper, can be substantial by filling a gaping void in the industry. It is no less impactful retroactively on those individuals with criminal records for personal marijuana use, whom now have the opportunity to have them expunged in this respect.

Many financial institutions in the jurisdiction will expect to be able to compliantly do business with legitimate licensed marijuana entities without being implicated with facilitating a crime at home or abroad once The Bahamas and key correspondent

banking counterparts legalize cannabis.

Formalized legislation to legalize marijuana use and the manufacturing of cannabis derivatives at large (within set parameters) would provide a pathway for the unbanked legal operations within the cannabis industry to more efficiently, compliantly and safely enter the banking system and also most decisively spur on anxious investors and entrepreneurs.

The Bahamas National Commission on Marijuana (BNCM), led by co-chairs Quinn McCartney and Bishop Simeon Hall, was established by the Government of The Bahamas with the mission of "codifying the view of Bahamians on all things related to marijuana, and to make recommendations to the Government of The Bahamas on positions related to the legal, social, medicinal and ceremonial (religious) issues as they relate to marijuana."

Relevantly there is also a CARICOM Regional Commission on Marijuana, first formed in 2014, for the purpose of providing guidance to the Caribbean as a collective for a solidarity approach to a unified stance on the marijuana issue through research and contributions from member states. Bishop Hall served as a commissioner on the CARICOM Commission on Marijuana on behalf of The Bahamas. The Final Report of the CARICOM Commission for the governments within the region coun-

sels that "cannabis/marijuana should be declassified as a dangerous drug or narcotic in all legislation and classified as a controlled substance" and goes on to recommend that "to avoid the implications of Anti-Money Laundering and Proceeds of Crime legislation which currently prohibit legitimate banking and other financial transactions for illegal cannabis, commercial cannabis activities will need to be legalized."

In summary, a balanced approach is encouraged encompassing both decriminalizing the personal use and medicinal use of marijuana as a preparatory step and then comprehensive and immediate elimination of all prohibitive legislative provisions, hence making cannabis legal and regulated only in exactly defined circumstances.

Three implementation models were outlined for CARICOM members to consider as they adjust to the recommendations with different profitability expectations: Model 1 Decriminalization of Marijuana Use, with Supply Remaining Illegal; Model 2 Full Legalization of Marijuana Production, Sale and Use with State Control; and Model 3 Full Legalization of Marijuana Production, Sale and Use Within A Competitive Market System.

The Government of The Bahamas seems to have a bipartisan and non-contentious stance as it relates

to the matter of cannabis legalization and decriminalization. According to Bahamian press reports, and as reported on November 17, 2019, Prime Minister, the Right Honourable Dr Hubert Minnis said that "he favours decriminalizing possession of small amounts of marijuana and making the substance legal for medicinal and/or scientific purposes." The Prime Minister also noted that he is hopeful that the decriminalization process will transpire prior to the end of his

current term. The leader of the opposition, the Honourable Phillip Brave Davis has also expressed support for the decriminalization of small amounts of marijuana and for medicinal uses. Given this support across parliament it seems guaranteed that the Bahamas' endorsement of marijuana within set parameters will come to fruition.

The Government currently awaits a report from the BNCM in short order to further guide next steps. Although CARICOM has made recommendations, it may not be wise to assume each member state will adopt the same approach to decriminalization since co-chair Quinn McCartney has noted that following his research trip to Jamaica during October, "he does not support some elements of that country's marijuana decriminalization policies."

In order to judge of what is likely to be the long run outcome of this trend of cannabis legalization, it is helpful to understand the history of cannabis use and the associated studies. The basis of the CARICOM Commission's affirmative legalization stance was that "marijuana is a plant substance with historical, cultural and religious significance to the Commonwealth Caribbean, which existed benignly as a beneficial plant without condemnation or legal classification for centuries.

Legislative history illustrates that cannabis/marijuana acquired an illegal status and classification as a "dangerous drug" with "no value," without scientific or moral rationales to support the radical change in law, both internationally and domestically.

Further, there is considerable evidence to suggest that this transformation was due to cynical motives to quash competition with the merging alcohol industry (itself emerging from prohibition) and even racial policy. Modern scientific data demonstrates that there is conclusive evidence that cannabis/marijuana has considerable value as a medicinal substance, and as liberalization in the law occurs, scientific studies are proving more medicinal

// The Government of The Bahamas seems to have a bipartisan and non-contentious stance as it relates to the matter of cannabis legalization and decriminalization

uses for the plant. At the same time, medicinal science has disproved some of the most important myths and propaganda about the supposed negative physiological impact of cannabis/marijuana, including a causative link to psychosis and its status as a gateway drug. It has also proved that cannabis/marijuana is not more harmful than alcohol or other substances that are no longer prohibited and, in many respects, less so.

In 1923 cannabis became illegal in Canada due to much activism. Cannabis became illegal in The Bahamas on February, 1929, upon the passing of Dangerous Drugs Act. After much lobbying, the United States banned cannabis federally starting October 1937 in the passing of the Marijuana Tax Act, signed by President Franklin D. Roosevelt. While federally the USA still recognizes cannabis as a schedule 1 drug (with heroin and methamphetamine) many of the individual states have adopted unique laws to legalize and decriminalize cannabis at the state level (33 states and the District of Columbia, according to The Hill as of March 2019). This scientific basis for revision to the cannabis laws likely implies that there will be eventual widespread and lasting legalization efforts, signaling that reliable banking for this industry will become available in due course.

By way of cross analysis, the later acceptance of a once outcasted

consumption product is reminiscent of the bootlegging era of 1920–1930, a period during which ironically despite the altruistic paternal intentions of the temperance groups which lobbied for the 18th amendment to the US constitution to prohibit alcohol consumption, this prohibition coincidingly led to the advent of serious organized crime around the substance, by such infamous names as Al Capone. The cash based way of transacting and storing funds has rendered legal marijuana businesses exposed to many of the dangers of organized crime also, inclusive of these two examples reported by The Hill: "In 2018, one of the most successful marijuana infused product companies in the country was robbed in California. The thieves destroyed computers, trucks, and safes before making off with hundreds of thousands of dollars in cash. In 2016, a Marine Corps veteran who worked as a security guard at a dispensary in Colorado was murdered during an attempted robbery."

At such substantial revenue levels to some it is still inconceivable that this industry is without proper banking services. Cash based business creates transparency issues for tax collection agencies, expense management and internal controls generally. There are significant professional banking fees and card processing revenues being forfeited due to the uneven regulatory issues of cannabis.

While cannabis has been federally legalized in Canada, having commenced recreational marijuana sales in October 2018, the US still leaves a sizable impression on how banking globally will treat cannabis business – especially given the importance of access to US correspondent banking partners. To the great relief of many, the United States took a monumental step forward to enable financial institutions to bank for the cannabis industry in the passing of the SAFE (Secure And Fair Enforcement) Banking Act of 2019 on September 25, 2019, by the US House of Representatives (in what is



PHOTO: ROBERTO VALDIVIA

//

At a compound annual growth rate of 14%, the size of the US legalized cannabis industry is expected to be \$30B by 2025, revenue levels that already overshadow those of several US states

described as bipartisan vote, backed by 91 Republicans, 1 Independent and 229 Democrats). The Act – as it states within it – was formed “to create protections for depository institutions that provide financial services to cannabis-related legitimate businesses and service providers for such businesses, and for other purposes” and serves “to increase public safety by ensuring access to financial services to cannabis-related legitimate businesses and service providers and reducing the amount of cash at such businesses.”

However, while this has been an historic achievement, some lobbyists criticize that it is legalization federally that is desired most, and not simply banking legislative reform. Moreover, the excitement is quelled by the still pending US Senate consideration of

the SAFE Act, which must pass in the Senate in identical form as the next step in order for it to be signed by the President and thereafter become law.

Any revisions by the Senate therefore must go back to the House for debate until the two bodies of Congress are aligned in agreement. There is some skepticism over whether it will pass given the conservative voice within the Republican weighted US Senate. A date for US Senate consideration seems to have not yet been determined and publicly announced. In the interim, the American Bankers Association (ABA) has demonstrated support for cannabis banking reform, and other stakeholders continue too as well.

Although Canada has federally legalized marijuana, many cannabis businesses are still struggling for equal

access to banking due to many of the banks still being conservative, likely driven by their relationships with the US.

The size of the cannabis industry is undoubtedly large when analyzed from a number of angles and lenses. According to New Frontier, a big data and statistics company specializing in the cannabis industry, the legal cannabis industry in the US is projected to produce \$13.6 billion in revenue during 2019, a 32 per cent increase of 2018 revenue levels which sat at a whopping \$10.3 billion.

At a compound annual growth rate of 14 per cent, the size of the US legalized cannabis industry is expected to be \$30 billion by 2025, revenue levels that already overshadow the revenues of several states within the US.

On December 15, 2019, overviewing the year, it was reported by New Frontier that Total Global Cannabis Consumer Expenditures (Legal and Illicit) for 2019 was \$344 billion, resulting from the use of over 263 million consumers.

There are a multiplicity of cannabis uses and derivatives broadening the scope of potential banking activities. The products range from food, to supplements, personal care products, consumer textiles, other consumer products (e.g. pet food, jewelry, paper), hemp CBC and even industrial applications.

Some of the countries around the world which have some form of cannabis legalization currently include the United States, Canada, Jamaica, The Netherlands, Spain, North Korea, Uruguay, Peru, Portugal, Australia, Switzerland, Argentina, Cambodia, Costa Rica, Czech Republic, Ecuador, Italy, Estonia, Mexico and Israel.

As locally – here in The Bahamas – and internationally countries refine their approach to legalizing and decriminalizing marijuana, Equity Bank And Trust Bahamas will continue to stay abreast in our commitment to compliantly provide exemplary banking services to the legal cannabis industry once permissible. ■

► NEW CRYPTO ASSET SUITE | from front page

- Purchase Transactions)**
- **Crypto Asset Compliance**
 - **Currently supporting the following crypto assets: Bitcoin, Bitcoin Cash, Ethereum, Litecoin and Ripple.**
 - **Trusts for clients with digital assets**
 - **Equity's offerings are underpinned by thorough and enhanced compliance procedures and software purposed to take steps to decipher the source of the crypto assets that customers would like to be held in custody, transferred and received.**

Equity has selected **Chainalysis** as its preferred solution for crypto compliance. Providing blockchain data and intuitive analysis across 40 countries and covering more than 85% of cryptocurrency market value, Chainalysis has a breadth and depth of coverage spanning an international scope. Its software links real world entities to cryptocurrency activity, allowing for transparency in the crypto asset space.

Among its accomplishments has been assisting the US Department of Justice with successful investigations. Equity embraces these AML and fraud

detection software solutions in our commitment to ethical business and informed compliance decisions in crypto asset transactions.

The Securities Commission of The Bahamas (SCB) has circulated a draft Digital Assets and Regulated Exchanges (DARE) Bill to regulate the space. **Christian Adderley**, Manager of Policy and Research at the SCB, during the month of December 2019, shared that he expects it will be “approved and released imminently.”

“As we all, as a community, strive to remain in tune with the evolving world-wide economy, Equity looks forward to the regulations coming for the SCB,” said Ms. Cassar.

To provide an interactive conversation between FinTech industry participants and the SCB, the regulator has announced its approval of the launch of a FinTech hub: SCB FITLink.

Elaborating on this initiative Executive Director of the SCB, **Christina Rolle** said, “It demonstrates our commitment to facilitating the development of new FinTech products in The Bahamas. Specific Commission staff will provide guidance on FinTech issues as well as

the Commission's upcoming Securities Industry (Business Capital) Rules, 2020, which will regulate crowdfunding activities, and the Digital Asset and Registered Exchanges Bill, 2020, which will regulate the digital asset space.”

As stated by Deputy Prime Minister and Minister of Finance of The Bahamas, The Honourable **K. Peter Turnquest**:

“The Commission's establishment of SCB FITLink is a proactive and clear signal that The Bahamas recognizes the importance of FinTech and innovation in the financial services industry and is willing to collaborate with market participants to ensure a robust and appropriately regulated securities and capital markets sector.”

“Equity compliantly embraces prospective clients who have a self-determined interest in investing in, receiving and dealing in crypto assets, subject to KYC protocols,” says the Head of Business Development and FinTech, **Delphino Gilbert Cassar**. “We are excited to broaden our service offerings in response to the indisputable evolution of the financial services industry towards FinTech products and solutions.” ■

Annual Overview

EQUITY'S
PHILANTHROPY
EFFORTS

QUITY TAKES PRIDE in supporting the community and in doing so investing in the betterment of society for everyone. In such an interconnected and co-dependent world and country, the plights of any one of us, affects all of us.

This year Equity continued to consecutively host its annual charitable art exhibit, entitled **All We Need Is Art**, held on April 13, 2019, at Equity Trust House. Based on the premise that everything around us is first conceptualized in the mind and expressed in creativity to enter the world, Equity is proud to provide this platform to artists to exhibit their ideas to our client base and invited guests.

Further, in support of the arts, entertainment and culture, Equity sponsored local Bahamian Junkanoo Pop artist **Julien Believe**, towards the completion of an uplifting song “I Believe In You” featuring **Marshall Montana** to bring hope to Hurricane Dorian victims in the aftermath of the destructive category five hurricane which tore through the islands of Abaco and Grand Bahama.

Equity, whose operational base in Nassau is equipped with ironclad Business Continuity Planning, and was not directly affected, like most of New Providence, the home of the country's capital city. However, to provide additional assistance with rescue and restoration efforts, Equity donated to the **National Emergency Management Agency** via the Bahamas Financial Services Board.

To assist with equipping young people to take leadership within FinTech, Equity sponsored four **University of The Bahamas** students to attend the Cryptochicks Blockchain Hackathon and Artificial Intelligence Conference in Toronto, and also sponsored (and served as a competition judge) the local **Youth Blockchain+AI Hackathon and Conference** held August 23 to 25, 2019, at the Windsor School Albany Campus.

Equity also sponsored two teams within the **Junior Baseball League of Nassau**.

“Equity wishes much hope, health and well-being to everyone during 2020 and beyond, and looks forward to continuing to be a helping hand,” says **Kim Thompson**, Managing Director of Equity Bahamas Limited. ■

Equity staff and friends at All We Need Is Art



Equity at Conferences and Seminars

EQUITY LOOKS FORWARD each year to being a part of meaningful and topical conferences and seminars. In doing so, it allows our staff to contribute to intellectual conversations informed by our deep trenches of professional experience and benefit from the newest perspectives, regulations, challenges and opportunities in the financial services sector.

"Equity values and invests in continuous staff training and education as our commitment to being at the forefront of the needs of an evolving financial services marketplace," says **Kayla Johnson**, Assistant Vice-President of Human Resources.

Some of the conferences and seminars attended throughout the year include:

- Business and Marketing Community Institute (BMCI) Business Success Summit, March 12, 2019, Bahamas

Faith Ministries, Nassau, Bahamas (Speaker)

- STEP Caribbean Conference, May 12 - 15, 2019, Baha Mar Convention Centre (Sponsored)
- Bahamas Institute of Chartered Accountants (BICA) Continue Professional Development (CPD) Seminar, May 31, 2019
- CFAL BudgetPass 2019 Breakfast Conference, July 8, 2019, Baha Mar Convention Centre
- BFSB Fintech Seminar, July 26, 2019, British Colonial Hilton Hotel, Nassau, Bahamas
- Association of International Banks and Trusts Companies in The Bahamas (AIBT) Conference, 2019 Financial Services Bootcamp, September 10, 2019, Baha Mar (With Equity's Head of Business Development and FinTech **Delphino Gilbert Cassar** as Innovation

Roundtable Panel Moderator)

- The Nassau Conference, September 10, 2019 (Sponsored)
- 29th Annual Conference & Business Expo hosted by the Bahamas Society of Human Resource Management Conference, October 24, 2019, British Colonial Hilton Hotel, Nassau, Bahamas
- RIMS Enterprise Risk Management Conference in New Orleans, Louisiana November 4 - 6, 2019
- 13th Caribbean Regional Compliance Association Conference in St. Lucia, November 7 - 8, 2019
- BICA Accountants Week, November 11 - 15, 2019
- LINKS by Chainalysis Conference in New York City regarding crypto asset compliance, November 15, 2019
- Ministry of Finance Financial Sector Briefing, Meliá Hotel, December 16, 2019. ■

Prime Minister The Right Honourable Hubert Minnis (centre) pictured with Equity staff at Hurricane Dorian Pledging Conference



Fiercely committed to your success.



EQUITY
BANK AND TRUST BAHAMAS LIMITED

Equity Trust House, Caves Village, West Bay Street, P.O. Box N-10697, Nassau, N.P., The Bahamas | info@equitybahamas.com
equitybahamas.com