



Opalesque Roundtable Series '19

BAHAMAS

Editor's Note

Like many other on- and off-shore jurisdictions, The Bahamas financial services industry had to tackle many different regulatory and legal initiatives over the last few years. However, instead of just passively reacting to global regulatory pressure, the premier private wealth jurisdiction has also been able to pro-actively implement a number of highly successful regimes and solutions such as the Investment Condominium or ICON for Brazil and now also for Mexican clients, or the Specific Mandate Alternative Regulatory Test Fund (SMART Fund) whose open architecture is useful not just for startups, but also for family offices and other clients who want to establish a track record and for other purposes.

The BEE (Bahamas Executive Entity) was conceived out of a very specific scenario and the needs of clients from the Middle East where family businesses are the norm and not the exception. In such businesses, and in the context of family wealth, there is a need for effective governance wrapped in an entity which possesses limited liability. The BEE also meets all the necessary high points for truly dynastic planning. This is not just relevant for the Middle East but literally anywhere where new wealth is generated and essentially concentrated in family structures like family businesses.

Economic Permanent Residency with TIN number soon available

In addition, the Roundtable participants believe The Bahamas is absolutely best positioned among the so-called island jurisdictions to implement economic substance requirements in compliance with the OECD's BEPS principles.

The Bahamas government is also in the process of rolling out an Economic Permanent Residency with a TIN number that individuals can use that for tax planning reasons when they stay a minimum 90 days here – not consecutive but throughout the year, and no more than 183 days in one other jurisdiction. Already in place is a BH1 visa, which is almost a tech visa and attractive for founders who want to come here to build the next Google, etc. Real estate development is ongoing, and indeed, The Bahamas have registered a significant uptick on the immigration side over the past two years.

Code Name "Sand Dollar": Central Bank to issue national digital currency

The Bahamas Central Bank is preparing the creation of the Bahamian digital dollar to enable more financial inclusion and economic growth. The digital dollar will also be a sign to the world that The Bahamas is an innovative and technology-oriented jurisdiction, and a commitment to anti-money laundering because blockchain allows for better verification and transparency.

With the upcoming Digital Asset & Registered Exchange Bill (DARE Bill), The Bahamas will have the opportunity to be a frontrunner and global leader in terms of registering legitimate international token offerings in the form of security and utility token offerings that can serve a variety of purposes such as unlocking liquidity in markets where traditionally that was very difficult to achieve. But this is not just about creating a digital currency and infrastructure, but also a very comprehensive legislative framework that governs the integrity of digital wallets that would be holding digital assets of all sorts, including the Bahamian dollar but not limited to it.

The 2019 Opalesque Bahamas Roundtable took place in Nassau, The Bahamas, with:

1. Brent Symonette, **Member of Parliament and former Minister of Financial Services, Trade, Industry & Immigration**
2. Aliya Allen, **Partner, Graham Thompson**
3. Brian Jones, **Managing Director, LENO Corporate Services**
4. Christel Sands-Feaste, **Partner, Higgs & Johnson**
5. Francesco Vanacore, **Head of Fiduciary, Ansbacher (Bahamas)**
6. Linda D'Aguilar, **Partner, Glinton Sweeting O'Brien**

The group also discussed:

- Why The Bahamas expects a major uptake in business from Mexican clients (page 9), Dubai/Middle East and Africa (page 13-14)
- Which types of businesses will benefit from the new Bahamas Commercial Enterprises Act? (page 7) What to expect from the new Investment Fund Act (page 8-10, 15-16)

- The Bahamas: A safe place for Brexit (page 16), Second Homes (page 21, 23) and persons with substantial ultra high net worth (page 12-15)
- What are the benefits or the promise of the digital Bahamian dollar? (page 17-19, 21-22)
- Education, Automation in Finance (page 20-21).

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles



(LEFT TO RIGHT):

Brian Jones, Diana G. Krupica, Aliya Allen, Matthias Knab

Brent Symonette, Linda Beidler-D'Aguilar, Francesco Vanacore, Christel Sands-Feaste

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Opalesque Bahamas Roundtable Sponsors



Introduction

Brent Symonette
Government of the Bahamas

My name is Brent Symonette. I am a Member of Parliament and a former Minister of Financial Services, Trade, Industry and Immigration, Government of the Bahamas, Nassau, Bahamas.

Linda Beidler-D'Aguilar
Glinton Sweeting O'Brien

I am Linda Beidler-D'Aguilar. I am a Partner at Glinton Sweeting O'Brien where I am in charge of our Financial Services practice.

Francesco Vanacore
Ansbacher Bahamas Limited

My name is Francesco Vanacore. I am here in the Bahamas since November 2017; before I was 20 years in Switzerland in other private banks, and I work here at Ansbacher Bahamas Limited as the Head of the Fiduciary and Wealth Planning area.

Christel Sands-Feaste
Higgs & Johnson

My name is Christel Sands-Feaste. I am a Partner at Higgs & Johnson, a full-service law firm here in the Bahamas. I am Chair of our firm's Securities and Financial Services Practice Groups.

Aliya Allen
Graham Thompson

My name is Aliya Allen. I am a Partner at Graham Thompson. I work in the Financial Services practice of the firm with a focus in equity and debt capital markets, investment funds, and regulatory practice. I also chair the firm's FinTech, blockchain, and cryptocurrency practice.

Brian Jones
Leno

My name is Brian Jones and I am the Managing Director at Leno. We are an asset management and investment funds platform, also providing corporate and fiduciary services. I also sit on the Bahamas Financial Services Board as Director and Treasurer, and chair its FinTech and Investment Funds working groups.

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Matthias Knab

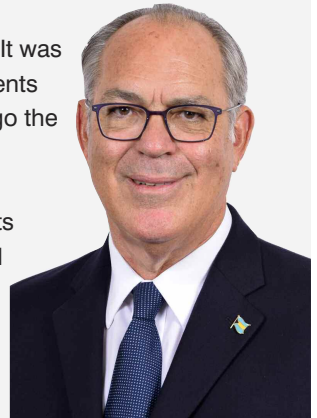
Like many other on- and off-shore jurisdictions, The Bahamas financial services industry had to tackle many different regulatory and legal initiatives over the last few years.

Let's start with a review of how the industry has responded, and if the response and the recent developments here were more on the passive / reactive side or also proactive?

Brent Symonette: I think in the last two years we have seen a change of the approach of the government. While the previous administration had tried to follow a bilateral approach, from 2017 on we took the multilateral approach, which saw the signing onto the Competent Authority and the incoming of CRS with the Base erosion and profit shifting (BEPS) administration.

As to your question whether that was reactionary or forward planning, I think probably a little of both. It was reactionary because time had run out in the terms of not being able to have enough bilateral agreements in place for the Competent Authority, so the position as a result of the change of government was to go the Competent Authority route, which was then an attempt at real forward planning.

As we together with the colleagues in the industry went through our approach versus the requirements coming from the OECD, CRS, or the BEPS initiative, we have tried to keep ourselves ahead of the ball as much as we can, and with the close collaboration between industry and government, I think to a large extent we have been able to do that.



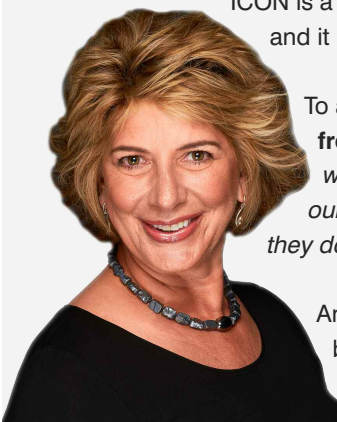
Linda Beidler-D'Aguilar: To understand a jurisdiction like The Bahamas, I think we have to look at both the regulatory regime and then also the products and services offered. **I actually would say that on the product side we have been pretty much on the proactive side.** For example, when we travel to see our clients or participate at conferences, for instance, we always use that time to ask our clients what they might need and what from our side we could offer and develop to make The Bahamas a compelling value proposition.

The majority of our clients conduct their business globally, and so we listen to what they have to say, we bring it home, and try to work out how we might be able to develop certain new aspects and solutions within our legislative and regulatory regime.

And I see Aliya nodding on the other side of the table because you and I worked so closely on the **Investment Condominium or ICON** which was developed in response to a very specific request and requirement from clients in a given jurisdiction. The ICON is a great example of The Bahamas' commitment to bringing to market client responsive legislation, and it looks like the structure and solution is actually doing even better than we thought when we started.

To add a bit more background, **the ICON was developed in response to a request that we got from lawyers in Brazil**, because what they said was often, *"This is a great investment, this is wonderful, we like what you are doing, but in part we are having a little bit of trouble explaining it to our clients because they don't use companies for this function. When they have an investment fund, they do not use a company, they don't use a legal entity, but instead, they establish a fund by contract."*

And so we had to step back and say okay, well, how do we facilitate that because that has never been the approach that we have taken here. And so what we did then was to take a look at the



Brazilian legislation to understand what the context was for this contractual relationship between the participants and the fund and the fund administrator, and then how that would work in terms of the regulatory environment.

And then we started drafting and talked a lot with Brazilian counsel and then said okay, what do we need as a common law jurisdiction to make this civil law concept function, which included actually the express statement that it was a contractual relationship and that the ICON, The Investment Condominium, did not have legal substance as itself, and that it would be represented by its administrator.

But we had to actually put that into the legislation because otherwise from a common law standpoint, we would have potentially created an entity and that wasn't going to work from the Brazilian standpoint.

How long did it take us, Aliya, from start to finish, do you remember, because it wasn't that bad?

Aliya Allen: You are right, at the time when we developed the Investment Condominium (ICON) I was CEO of the Bahamas Financial Services Board and closely involved with it, and I agree that this was a real indication of how The Bahamas views innovation and how responsive we are to clients.

To address whether we are proactive or reactive in our approach to innovation, in our field innovation has to be somewhat reactive in a sense that you actually have to understand your clients' culture, you have to understand their tax rules, the business environment, and also proactive, like Linda mentioned, in terms of thinking about and developing what's next.

I think the ICON is a perfect example of the industry listening to their clients and the whole jurisdiction coming together using the functions of the Bahamas Financial Services Board, the government, regulators and developing something that was really innovative and really unique.

Just to add a bit of technical background, the approach we undertook with ICON appreciated that **common law context does not work for all clients**, that in civil law jurisdictions there are often quite prescriptive rules to give clarity to the manner in which the entity is managed and treated. So we adapted a civil law concept into a common law construct – The Bahamas has always done this well, with the Foundations Act, just one of the many examples where we have adapted such concepts to our specific environment.

I also believe that the **Bahamas Commercial Enterprises Act** is another piece of innovative legislation that recognizes that there are sectors that we want to develop as a jurisdiction such as technology, financial services, family offices, and other related businesses, and allows for **fast-tracked processing of work permits** for such entities and eventually the legislation anticipates the designation of **special economic zones**.

But even apart from those two examples, there are so many more throughout the course of The Bahamas' history as a financial center. Take the **Specific Mandate Alternative Regulatory Test Fund (SMART Fund)** which was introduced in 2003 as an additional style of a collective investment vehicle in an open architecture which allows practitioners to design innovative structures, akin at times to special purpose vehicles, without reference to inflexible regulatory criteria predefined in legislation.

You can also look at what we are doing for Mexico in terms of **adapting the ICON in a manner that works for Mexican clients** and also how we have managed to implement **economic substance requirements** such that The Bahamas is absolutely **best positioned among the so-called island jurisdictions** (having high-quality commercial buildings, extensive

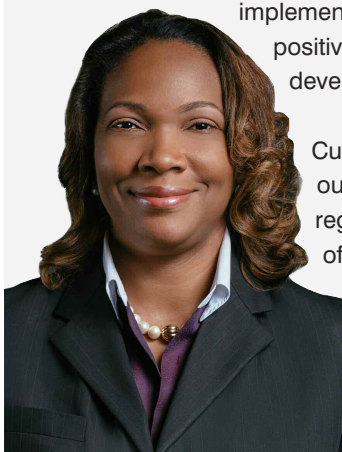


network of outsourcing service providers, availability of land, and highly trained people) to make such requirements actually work for us and our clients.

Christel Sands-Feaste: The SMART Fund has been around now for 16 years and clients love the flexibility in terms of how it can be used. The vehicle demonstrates that The Bahamas is able to balance not just international obligations and regulatory requirements, but also capable of leveraging clients' needs, and so a product that was relevant 16 years ago continues to be very relevant. It has the necessary elasticity so that it can be as a flexible vehicle, but it can also be utilized in more regulated ways.

It is useful not just for startups, but also for family offices and other clients who want to establish a track record and for other purposes.

The other aspect I want to mention is the **time horizon**. It's one thing to come up with a solution, but being able to design and implement it on a timely basis is maybe even more important. From that perspective, it is very relevant and positive that we are able to respond quickly and that as we develop products, we are also able to develop the legislation and ensure that it's rolled out in a timely fashion.

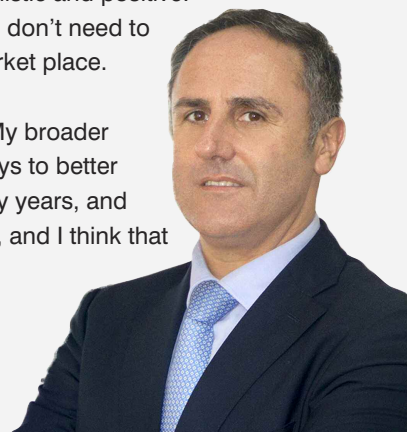


Currently we are working on rolling out a **new Investment Funds Act** that will bring together not just our international obligations, satisfy the needs of existing participants in the marketplace from a regulatory perspective and provide the necessarily regulatory oversight, but also recognize realities of 2019 in terms of new concepts that didn't exist two or five years ago. So I am confident that The Bahamas is able to leverage its ability to utilize private sector expertise as well as governmental oversight to develop products that are robust, versatile, and can withstand the scrutiny and the real testing to which those products will be subject.

Francesco Vanacore: I have been in the Bahamas since one-and-a-half years and I think that in terms of business potential there are still huge growth opportunities that can be exploited, and therefore I am very optimistic and positive. Of course, we know that our ICON, SMART Funds and so on are very good products, so we don't need to convince ourselves about that, but also invest to market and communicate to the global market place.

From a strategic point of view, I think what is going on now with Mexico is very interesting. My broader suggestion would be to also look at how to harvest the low hanging fruit which is finding ways to better **link tourism and financial services**. I had mentioned that I worked in Switzerland for twenty years, and also there you can find hotspots that they have grown exactly based on these two elements, and I think that there is still potential to better exploit such an approach here in the Bahamas.

But anyway, I am very positive about the opportunities we can grasp here.



So you mentioned Mexico – we already covered ICON, which is a product for the Brazilian market, could you elaborate what The Bahamas is offering or developing for Mexico?

Francesco Vanacore: I know a little bit Mexico because at my former company we used to work a lot with Mexican clients. I mean, this is my view, but anyway, the potential in Mexico is huge. Why? If you look at the **investor segment of \$500,000 up to \$5 million**, in Switzerland these clients are sometimes considered as retail, and in the US they are not of big interest generally because this type of clients do not trade too much.

But for The Bahamas, these clients represent a huge opportunity. The time zone we're in is a big help, and then from our perspective, this segment is in fact considered to be kind of on the higher end, so they may get the various private banking services. This means that these clients do not need to be in Switzerland anymore, which would be the alternative from a banking point of view, and also the costs there are often prohibitive.



When it comes to the US, of course Mexican clients have a strong link to this jurisdiction also because sometimes some regulations apply in a different way. On the other side The Bahamas may represent an alternative in particular for those clients that look for private banking services while they are not used to trade a lot.

So, from a private banking point of view, if you go to Texas or to San Diego, you'll find huge Mexican platforms, and I believe from our perspective that is a major market we should focus on as well to get more of that business.

Brian Jones: We already pointed out that innovation in a jurisdiction such as ours has to be both proactive and reactive, but I also view it as an iterative process that doesn't really end, it's more like a cycle. Moreover, what is worth mentioning first and foremost, is that being proactive as a jurisdiction has considerable value in our rapidly changing environment. This ability to be proactive as a jurisdiction is based on the open relationship between the regulators and the service providers. Both sides consistently demonstrate their commitment to a culture of innovation and integrity of the jurisdiction.

Looking at ICON, we have had it in play for a few years and we see that, while it serves its niche well, there is always room for improvement and for expansion into new markets, such as Mexico.

Now, the ICON itself is just an investment vehicle, but when you establish a fund, you have to have a regulatory overlay that is going to apply to this fund, also here there is room for innovation as well.

We see that there are certain trends in Brazil, which is the target market for ICON, but also globally for **enhanced investor protection**, which is something we are also addressing in our new Investment Funds Act. I think there is room to develop a new SMART Fund that has more investor protections built in that still preserves some of the flexibility that the SMART Fund model offers. Creating a new SMART Fund model that's geared towards investor protection would be very innovative and useful in the private investment fund space, and so this is indeed something where works are underway.

On top of that, we are looking at amendments to the ICON geared towards introducing traditional common law concepts like segregated portfolios into its legal construction, which is in response to market demand as well. This would allow for multi-strategy funds to guard against any cross-class liability or cross-class asset contamination within a unified legal entity.



The other point I wanted to make about innovation is that we have unique products in the Bahamas that don't exist anywhere else, such as the BEE (Bahamas Executive Entity); so, I support Francesco's encouragement to make sure the world knows about them.

Another good example of innovation is the Bahamas Executive Entity or BEE for short. Where does the BEE fit in? The BEE can be useful in almost any wealth planning or investment fund structure, but how does it fit in, and this is something unique to the Bahamas toolkit, again, that we could discuss.

Briefly, **the BEE is one of the most innovative products that we have rolled out over the last several years.** It's an entity that carries out executive functions. It might seem a bit arbitrary, but the fact is that it's very flexible in what it can do.

The BEE is a legal entity that doesn't have shareholders, so it can't necessarily generate profits with the intention of distributing that income or profit stream to any beneficial owners, but what it can do is fill the role in certain governance or executive capacities where decisions need to be made and personal liability limited.

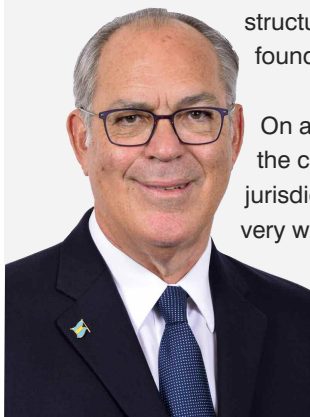
And for example, it can hold the voting, non-participating "management" shares in an investment fund structure, whereby those shares carry no economic rights, but they carry all the control of the structure. It's interesting to have those voting rights held by an entity that doesn't necessarily need to have beneficial control; it just, in fact, has executive control over the entity.

Brent Symonette: We mentioned the need for marketing and communication, and what I'd like to point out here is that over the last year we like all other on- and offshore jurisdictions have spent a large part of the time on defining and clarifying our relationship with the OECD and the EU. I think we also have to acknowledge that it can be a bit of a challenge to market the jurisdiction when these goalposts have not been confirmed.

Things like the Code of Conduct, the 2.2 criterion, we didn't know until almost towards the end of December of last year where we were going to do with Substance; we are only just talking about it in this year's budget.

Once we have this procedure behind us, there will be even more marketing, but that doesn't mean that we were numb in the meantime. As you all know, just in May we had the Caribbean STEP event, and almost 400 practitioners from the Society of Trust and Estate Practitioners were here on The Bahamas. I have just come back from STEP Miami with a similar number of people attending, and we were able to network with a lot of those persons that focus traditionally on Latin America. Many of us here were also at STEP LatAm, Aliya was a speaker at that conference, and so many of us are out there and market. STEP has a network of more than 100 branches and chapters in 56 countries with a current membership in excess of 20,000, and such activities help us gain visibility and have a dialogue with regional and global practitioners.

Traveling in the last two years as a Minister I found that there is a lot of knowledge out there about the Bahamas. For example, when I was in Singapore attending a financial services function, there were people that were using Bahamas structures that have never even been in the Bahamas or even in this part of the world. So I consistently found that there's a good level of knowledge and awareness out there on which we can build.



On a different note, I think many of you are aware that we have signed up for the Substance, and I think the computerization of that system is well on the way. It's provided by a company used by another jurisdiction and region and we hope to roll that out very shortly. I think CRS for all practitioners rolled out very well too in terms of the industry and acceptance.

The Securities Commission has had some new regulations coming in that we have been working with them and also the **protection of minority shareholders.** We have dealt with the whole ring fencing issue in the last couple of months.

So I think we are now in a position to take that forward. You see the government will be announcing or confirming shortly that the **Bahamas Investment Authority** will be revamped to provide exactly what Francesco suggested, a marketing arm for tourism and financial services, and specific industries to be marketed by the Bahamas Investment Authority under the Commercial Enterprises Act, which deals with very specific items that we look at to market in the next couple of years.

Christel Sands-Feaste: This is an excellent move as The Bahamas is extremely attractive from both the tourism and the financial services side. Let's not forget that the government has also announced some very significant capital investments as well with 400 million going to Eleuthera and other places.

In a sense, we are lucky as many investors and clients are already coming here. We are conducting our meeting today in Albany, which is a prime example of marrying tourism, real estate, and financial services products into one. This holistic approach is hugely successful and needs to be expanded by realizing and appreciating the fact that there are significant investments right on our doorstep that we may have overlooked on the financial services side. Those real estate and other developments where people are coming to the Bahamas to participate marry well with the BEPS principles, substance requirements, the Commercial Enterprises Act and other initiatives we have going on here.

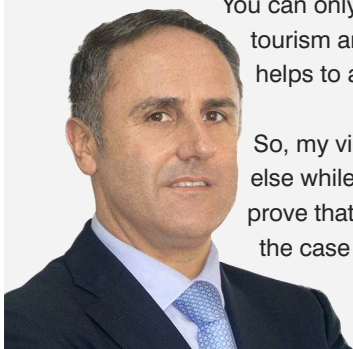
When we look at The Bahamas' real value proposition, we must call on first principles – we are established private bankers, and The Bahamas is going to continue to be one of the most attractive jurisdictions for estate planning and trust structures. Who has more professionals in the region that The Bahamas? We are tried and tested, and this makes The Bahamas the natural choice for those private clients and those requiring an enhanced level of service. We have proven ourselves in these areas and are continuing to expand our value proposition.



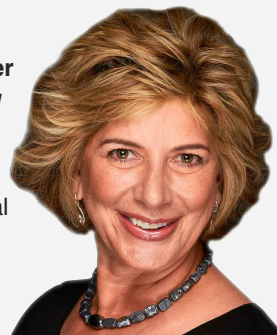
Francesco Vanacore: What I also like about being here on The Bahamas is the **focus on quality and the premium segment**.

You can only serve the premium segment when you're offering the best quality – it's exactly the same in tourism and in financial services in the end – and also, the margins are better for the providers which also helps to attract the best people, resources, and systems to this sector.

So, my view is that if a client comes here and he wants to compete on price, he is free to go somewhere else while we should stay true to the premium segment and a premium offering. And again, we can well prove that Substance is here because we have all elements of the entire value chain, which certainly isn't the case in some of the other places people might look at.



Linda Beidler-D'Aguilar: I agree. One of the main advantages that we have is that we are **the premier private wealth jurisdiction in this region**, and this provides unique opportunities with some unusual constraints, for example, we can't do press releases that say family such and such just established this trust with us, because that is the antithesis of what our clients want. So we aren't necessarily in a position to be able to put out press releases or to talk about who our clients are except in very general terms.



Aliya Allen: Christel mentioned Albany as a recent example of where tourism, financial services and real estate sort of collide and create these amazing opportunities for development. But that's not a new story for t]The Bahamas though when you look at our history. Already in the late 1960s **Sir John Templeton**, the greatest value investor of his time, came to The Bahamas, loved The Bahamas, and decided to base his investment firm here. Why here? Sure, it's a beautiful place, it's paradise, but there are also time zone advantages, it's accessible and easy to get to with a 30-minute flight from Miami, a real place that has both substance and amazing lifestyle options.

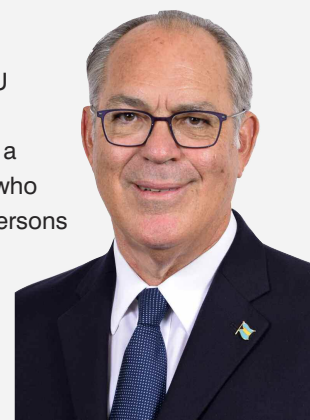


Brent Symonette: As Minister, I am also in charge of immigration, and so I can share with you that in the last two years we have registered a **significant uptick on the immigration side**. Real estate development is ongoing, so even looking out from the window here we see a multistory condominium block being built, as we pointed out, we do have some of the best support services available in the jurisdiction in terms of the large accounting firms, law firms, and other related service providers. We are not going to have a problem with substance that maybe another jurisdiction in the region will have when it comes online.

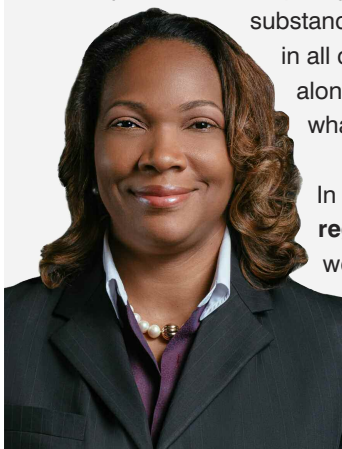
And just more recently, there was another surge in immigration over the last eight months, nine months where local law firms have been contacting me at immigration with regard to either sportspersons, celebrities, musicians, entrepreneurs – **persons with substantial ultra high net worth** that have decided to make The Bahamas their home, and many do come with or because they have children. *What a number of them have told me is that they can live anywhere in the world, but they would prefer to live in The Bahamas because it suits their way of life and what they want to achieve, it's easier for their children, and they can also move or fly anywhere else in the world.*

With that backdrop, the government is in the process of rolling out an **Economic Permanent Residency with a TIN number** that individuals can use that for tax planning reasons when they stay a minimum 90 days here – not consecutive but throughout the year, and no more than 183 days in one other jurisdiction. When such qualifications are met, people can apply for a TIN number which then qualifies them to use The Bahamas as a residence and set that off against other jurisdictions.

The Attorney General's office is just rolling out the fine print. We believe the program will be very successful, and I would also add it's a proactive effort as we can start watching the OECD and the EU talking and scrutinizing certain other citizenship by investment schemes, but we don't have such an animal. So don't even think of coming to The Bahamas to invest and get a passport; what we offer is a permanent residency by investment. We also have other permanent residencies as well for persons who don't have to take advantage or use of the TIN number. And so, I think all of you as well have seen persons coming here, to places such as Albany of any of the family islands where a number of well-known people have settled down or taken residency. To Linda's point, we can't say who they are, but there is a wide group of persons who want to make The Bahamas their home.



Christel Sands-Feaste: One thing that is clear is that all of us are also focusing to support and service the businesses that are already here, for example by giving clear, transparent and expedited certainty as to what the process is to demonstrating substance on The Bahamas. We are well positioned to provide for substance – we have ample office space in all classes and a wealth of qualified financial services professionals. These basic infrastructural tools, along with the ongoing support of our clients, is a very important focus and will be a critical pillar of what I would call a service delivery model 2.0, i.e. making it easier to do business.



In this context it is interesting to look at developments in other jurisdictions in terms of **inter-regulated collaboration** like the UK FSA set it up some 20-odd years ago. I think in The Bahamas we are actually going to have to consider models like that where financial services regulators are really working together in a collaborative integrated way so that they are able to facilitate processing in a timely and efficient way, regulatory applications that cross over the traditional division lines of regulatory responsibility.

Linda Beidler-D'Aguilar: I think, the other thing with respect to substance, I think what it does especially when you talk about family offices – there was a point that I brought up at STEP Caribbean: Our old solution was really saying, “Well, get a license and that will prove your substance,”, because we didn’t have anything else.

And so you are trying to sort of awkwardly pushing a certain solution on to somebody, even if they didn’t really need a license. Now we actually can tell them, *“No, you don’t have to pick something awkward, you actually have the chance to use something that is holistic, something that actually can grow with you and if at some point you decide to get a license, that’s great and we will absolutely facilitate that. But in the meantime, here is what substance is. These are the boxes you need to tick.”*

This will then also give the entity an opportunity to grow and not just trying to put a box around something that didn’t really need a box, if you will.



Brian Jones: I often find that business tends to occur quite naturally and easily if you are in the right place at the right time with the right set of information. Then the product or service often kind of sells itself, although many solutions are niche products that only have value to those who have certain issues and circumstances. We already have a best in class toolkit, so the next question is where do we position ourselves so that people can become aware of it and consider The Bahamas?

One of the oldest sayings on investing is “The trend is your friend, until its not...” so we don’t want to buck up against a trend but rather look at where are other centers of innovation in the world – *where is money, liquidity and new wealth being generated that needs to be protected? Where is there political unrest, high inflation or other events that would urge people to diversify their assets and their portfolios for political, financial, or geographical reasons?*



Taking a careful and calculated yet dynamic approach to some of the emerging markets is likely worthwhile, even though we also know that there is a lot of political tension and the regulatory environment may be slightly unstable and disjointed. As an example, Dubai can serve as excellent entry points to do business within the Middle East and in Africa, and serving as a major investment hub in the region.

*Not too many people in Dubai know The Bahamas, but when you start telling them about what we have to offer they find it unbelievable and wonder why they hadn't heard of it before. And, therefore, we will be making our presence felt there as we return to the region once again in the build-up towards **Expo 2020** in Dubai where we will participate as part of The Bahamas' efforts to showcase The Bahamas and demonstrate where we can add value as an international financial center.*

And just wrapping up what I said about trends, there is a movement happening now that is geared towards **creating investment channels into and out of Africa**, and The Bahamas is very uniquely placed as an international financial center within the African diaspora to be a wealth management nexus for some of those rapidly developing economies. When it comes to the fast growing tech hubs in Africa such as Uganda and Kenya, and economic powerhouses, such as Nigeria, South Africa, as well as Ghana, there's already a natural synergy building between The Bahamas and these jurisdictions, and I believe we can further build on those tremendously.

Aliya Allen: The Bahamas' Executive Entity was actually conceived out of a very specific scenario and the needs of clients from the Middle East where family businesses are the norm and not the exception. In such businesses, and in the context of family wealth, there is a need for effective governance wrapped in an entity which possesses limited liability. The BEE, a structure solely designed to perform executive functions of an administrative, managerial, or fiduciary nature, meets all the necessary high points for truly **dynastic planning**. This is not just relevant for the Middle East but literally anywhere where new wealth is generated and essentially concentrated in family structures like family businesses.

And if you think about it, what do all family businesses have in common, particularly from a certain size? They all need **effective governance** because that tends to be the critical point at which everything can fall apart. We already actually have the perfect fiduciary tools and structures for the Middle East and other regions with this high growth and wealth generation factor. Within our trust structures, we even have the ability to create Shariah-compliant solutions.

So, I agree with Brian that we have a compelling story for those clients.

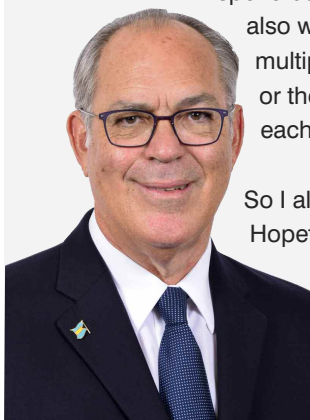


Francesco Vanacore:

I think the initiative of providing Economic Permanent Residency with a TIN number will be amazing because this is something that a lot of entrepreneurs or ultra high-net-worth individuals need.

I also agree that the Middle East is a huge opportunity, and let's not forget that for us the low hanging fruit is really to service LatAm well. These clients don't go anymore to Switzerland or the US compared to the recent past, for a number of reasons.

Brent Symonette: You brought up Mexico before, a lot of the drive there came as a change of the recent election when there uncertainty of how they are going to treat distributed dividends or economic structures, and as a result, a number of ultra or high-net-worth person was questioning why are they in this jurisdiction?



I spoke before how people are attracted to the family islands and continue moving here, but I am sure you are also well aware that we are also dealing with many families whose children are now marrying or moving to multiple jurisdictions around the world, and therefore there is a need not necessarily to be say in Wyoming or the UK, and The Bahamas fits that group, also by being able to provide a trust structure that satisfies each of these different aspects.

So I also believe that we are well-positioned, and we are working on rolling out some other initiatives. Hopefully, at the end of this summer break for the parliament, we will come back and look at the

Arbitration Bill which will be relevant for those who are engaged in trading, enabling them to use The Bahamas as a trade dispute resolution destination to a greater extent than it currently is. This adds another piece of the puzzle which will provide The Bahamas as a great place to do business.

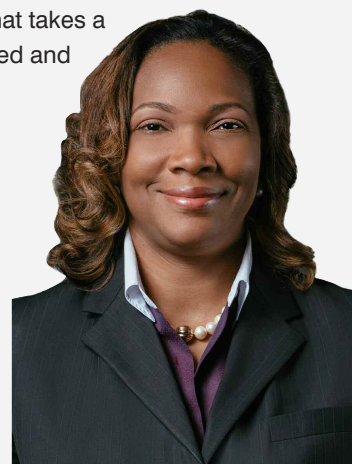
Matthias Knab

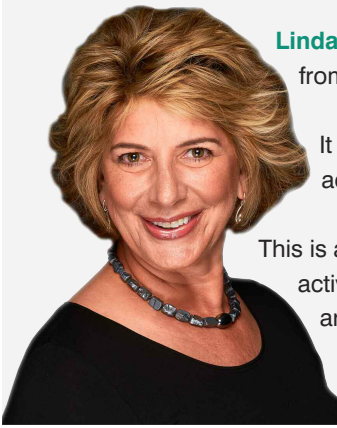
How will the new Bahamas Investment Fund Act tie into the puzzle? What will it enable?

Christel Sands-Feaste: The New Act will address a number of themes. It will satisfy the requirements imposed by the OECD with respect to funds that are marketed in the EU to EU investors to **comply with AIFMD requirements**, new provisions will be introduced to add additional protections for investors and certain improvements will be made to the existing legislation. In addition, investment managers to investment funds will be regulated in a manner that takes a risk-based approach; for example in some instances, investment managers will have to be licensed and in others, they will only be required to register.

The New Act seeks to address our international obligations, improve existing products that Brian mentioned earlier whilst maintaining a robust regulatory framework with the same degree of flexibility to take account of the different investment fund products; for example, Smart Funds.

In terms of timing, speaking from a private sector perspective, the hope is that the New Act will be implemented quickly. I can certainly say that many clients asking when the New Act will be brought into force.





Linda Beidler-D'Aguilar: I think the new Bahamas Investment Fund Act demonstrates that its legislation from an international regulatory perspective is really best in class.

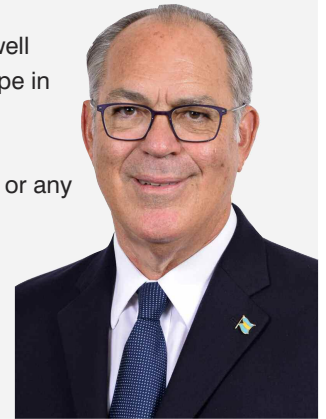
It also clarifies the duties and obligations of custodians, the rebalancing obligations with respect to administrators and puts in place a framework that enables **registration of fund managers**.

This is a very relevant option for fund managers, being able to register or license depending on the activity that they are conducting and to actually have a substantive operation in The Bahamas, and we are already starting to see good interest for that.

Brent Symonette: So far we have talked about a number of jurisdictions for which The Bahamas is well placed to do business with, and here I think it will make sense to also talk about the situation in Europe in respect to **Brexit**.

The Bahamas is a well established common law jurisdiction, and so we are well-positioned if anyone or any corporation does not feel not comfortable with wherever they are.

The Bahamas has been hosting businesses and families from the UK and Europe for generations, so we are well-positioned to take care of any anxiety that may arise out of Brexit.



Brian Jones: Adding to our conversation on innovation, we are very excited to be evaluating the **Digital Asset & Registered Exchange Bill (DARE Bill)**, which was presented by the Securities Commission for public consultation several weeks ago. Christina Rolle, the Executive Director of Securities Commission has been engaging with us on the BSFB FinTech working group to discuss the ins and outs of the Act, which everyone is excited about who is involved in the crypto-asset space as there is significant interest outside of this jurisdiction from a lot of the major and emerging players for a framework which can bring some substance to what they are doing.

*As we know, crypto-assets are a broadly unregulated space globally. Several jurisdictions have taken steps forward in bringing about some level of transparency and consistency, and we are now seeing a more concerted development of global standards starting to coalesce. **With the DARE bill, The Bahamas will have the opportunity to be a frontrunner and global leader in terms of registering legitimate international token offerings in the form of security and utility token offerings that can serve a variety of purposes.***

For investors, intermediaries and many other players, these solutions will also provide an opportunity to **unlock liquidity** in markets where traditionally that was very difficult to achieve. For example, in the private equity space, these tokens and digital assets can bring opportunity for financing and liquidity to small start-ups and private enterprises that may find it hard to gain traction and get funding on the traditional markets or traditional vehicles.

It's also creating a whole new ecosystem or sub-sector within the financial services industry that ties in congruently with other proliferating new technologies like Big Data science, Machine Learning, Artificial Intelligence, and now also enhanced cryptography in the form of Blockchain. Taken together,



these technologies can over time achieve a complete metamorphosis in the way financial services are delivered and experienced, so we are talking about some very potent potential game changers. The opportunities to develop new business models and attract clients and top industry players from around the globe are very appealing to new market entrants and incumbents alike.

So that's what we are doing here on the securities industry side. It's also very encouraging to see the Bahamas Central Bank essentially taking a very solid step forward within the monetary system and creating the **Bahamian digital dollar** that is going to enable a lot more financial inclusion within the Bahamian economy, which should bolster the overall economy. This Bahamian digital dollar will also be a sign to the world that The Bahamas is an innovative and technology-oriented jurisdiction and that we are also very serious about anti-money laundering because blockchain allows for better verification and transparency.

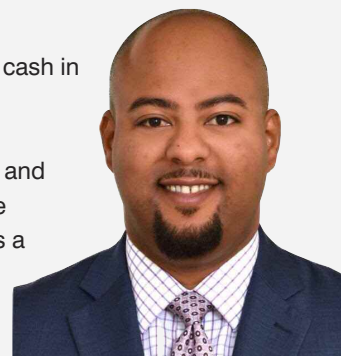
But this is not just about creating a digital currency and infrastructure, but also a very comprehensive legislative framework that governs the integrity of digital wallets that would be holding on these digital assets of all sorts, including the Bahamian dollar but not limited to it. And that coupled with the gradual liberalization of exchange controls creates the right type of environment for large scale innovation and economic development across the board.

Matthias Knab

Can you elaborate a bit what you see as the benefits or the promise of the digital Bahamian dollar?

Brian Jones: One of the things a well-designed digital currency can do is reducing the amount of cash in the overall economy and that should actually increase integrity in the market.

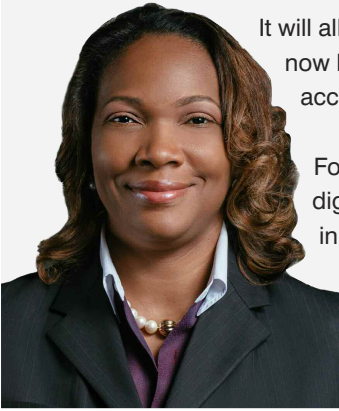
It will speed up payments and financial transactions, reduce the cost of dealing with paper money and ultimately, we expect a significant increase what economists call the velocity of money which is the important measure of how fast money passes from one holder to the next in the economy, and it is a factor in driving economic activity.



Christel Sands-Feaste: Just looking back over the most recent years, we have seen the transformation of the domestic financial services industry from bricks and mortar to electronic banking, what has happened as a result of that is that many of the smaller islands simply do not have banking services, so utilizing a digital currency in Islands where they may have a small population and where people have to travel significant distances to bank their cash, will provide a welcome solution to a significant impediment to commerce.

I see a digital currency as a true game-changer because it allows everyone with access to the internet on their smartphone, tablet, laptop or other electronic devices to effect financial transactions utilizing the digital currency without any further worries.

Out of our 700 islands, 30 are inhabited, and so a number of the smaller islands in The Bahamas are particularly looking forward to these solutions because it will facilitate economic growth.



It will allow the small mom and pop shops that either have to travel long distances or only accept cash to now begin transacting on an ongoing basis in real-time; they will be able to see the credits to their accounts in real time in a way that many of us are accustomed to today.

For me, this project is really way beyond just signaling our commitment to innovation. I believe digital currencies have the potential to really transform domestic financial services and the economy in a way that I think we can't really appreciate just yet, and so on the domestic side, this is certainly a welcome innovation for consumers as well as merchants which is even more important in certain parts of The Bahamas.

Aliya Allen: FinTech is really just the digital delivery of financial services, and The Bahamas can and should embrace and lay claim to being a digital island. We have a first-class infrastructure for it – with thousands and thousands of miles of fiber optic cable, we are the best-connected archipelago around in terms of Internet connection coupled with the fact that we have regulators who want to create a space for innovation and development.

We are also rightly concerned from a regulatory perspective about systemic integrity. When we look at cryptocurrencies, other digital assets and initial token offers, obviously everyone points to the boom & bust of tokens and the huge amount of fallout because of it. But, this is a nascent industry and there will be a period of such cycles, but I also believe that this industry has attained a certain level of maturity.

If you look at what the SEC and other jurisdictions around the world are doing, I think they have watched this space for some time now and now they are going in from the regulatory perspective and saying, “Okay, this is what we think these tokens are, this is how we treat them from the regulatory perspective, this is how we treat them from the tax perspective and here are the rules, here’s how you have to raise money.”

To the extent that such rules are not clear, clients will do this business in a place that has clear rules. The Bahamas is developing its Digital Assets and Registered Exchange Bill to encourage good actors employing best practices to establish their base of operations here.

And so when you hear The Bahamas is or will be a recognized player in the digital asset space, some people may think that this is very scary – I do not agree. Instead, this is about the regulators appreciating that this business is going to happen anyway, and so the next question then is what do we want to do to ensure that we only have good actors in the jurisdiction and we encourage these massive now institutional technology companies to engage with us in the right way.

I think where The Bahamas has an edge is its experience with managing and administering **fiduciary structures** – ideal if one is considering a security token issuance, a stable coin, or any other issuance requiring assets which back the digital token. In addition, from an estate planning perspective, I think we’ve all heard about the news stories where the access to Bitcoin is lost or people dying with nothing in place to secure access for their private keys – there is a need for **custody and trust structures** and we are experts at in The Bahamas.





Francesco Vanacore: I agree The Bahamas will have huge opportunities, and we also know that some of the biggest players in the world are already in the Bahamas or already use the Bahamas as the jurisdiction for their business. Timing will be crucial, so I hope that this regulatory framework will be available soon while this window of opportunities is there.

I was in Switzerland the last week, the country wants to be a FinTech hub, but let me add that I also found that right here in The Bahamas we have some of the most skilled persons that I saw in this industry globally. They know this stuff inside out. They have the skills, and with the resources and the regulatory framework, we will be well positioned in this global race.

Brian Jones: Allow me to add a remark why I believe The Bahamas is well-positioned provided that we do pass the pending legislation in a very timely manner? It's because of our risk-based regulatory approach. We strive to maintain full compliance while preserving innovation and flexibility. It sounds like a nice tagline, but compliance and innovation are extremely important as we compete with the best of them.

Unfortunately, we see regulators around the world making knee-jerk reactions to some of the perceived risks that they see emerging from this new technology. So they put a ban, they say stop before the innovation gets far enough and growth is stifled.

We are taking a different approach by passing legislation outright, to be accompanied by regulatory policies and eventually a formal set of regulations. The Securities Commission here has already issued some no action letters after having conducted due diligence on certain counterparties who want to use this jurisdiction while the legislation has still not been promulgated. So we have the right level of flexibility to remain innovative, and when it comes to rolling out the legislation, I totally agree that it has to be implemented in a very clear and consistent manner, leaving no room for misinterpretations.

And it's going to require that we get smart on this very quickly as the local players. And when I say "we", we being all financial services professionals; we have to educate, we have to train, we have to make sure that when it comes to delivery, we have that taken care of. And it's not a very quick process, but once we have all our ducks in a row, the potential is limitless.

We, and in fact, the regulators here had always maintained a position that they didn't want to be a first mover in the digital asset space, but we weren't going to be last either. In observing some of the first set of jurisdictions to pass laws to enter the space, we see that there are several holes in their legislation, and it gave us a chance to build on what we saw and be different. We have taken this sustainable approach to create opportunities while remaining compliant, and this is a key area that stakeholders will continue working in tandem to further develop.

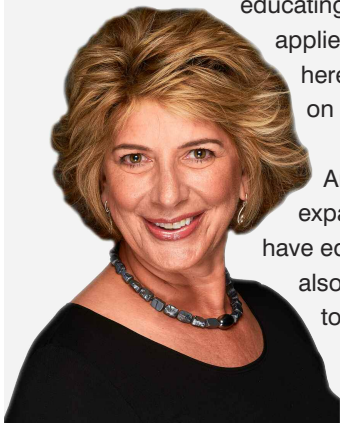


Linda Beidler-D'Aguilar: I think the other thing that gives me a lot of hope in this regard, especially with respect to FinTech but also with respect to the sector broadly is the extent to which the industry itself participates in education forums. What I witnessed is that whenever the government, BSFB, the chartered accountants and other industry bodies set up educational programs and forums, the turn out is immense.

For me, this is one of the most hopeful things about the sector is that nobody is having an attitude like, "Well, I know already! I am done learning now." We do have some events that focus on younger practitioner, others that focus on senior practitioners and then we have events where everyone shows up. There are events that cross boundaries or industries, and all are remarkably well attended.

Already at junior school and high school level, there is an enormous focus on STEM, so a curriculum based on the idea of educating students in science, technology, engineering, and mathematics in an interdisciplinary and applied approach, including coding to produce digitally literate children. For example, the high school here at Albany is having events for children in the public schools to have the opportunity to participate on a very deep level for a weekend of learning that will assist them in becoming more digitally literate.

And when I look at what the University of The Bahamas is doing in terms of its hiring and in terms of expanding its digital literacy programs it is becoming clear that not only do we have practitioners who have educated themselves and who are able to speak fluently in this new language, if you will, but we also have a stream of qualified people that are going to be available, who are knowledgeable and able to do what our clients need them to do.



Brent Symonette:

Also the government is moving towards a digital platform in a way. We are also looking at trying to break down the silos of each individual ministry and participate in this move towards greater efficiency that a digitally enabled economy can offer. And also here, as the government moves towards a digital economy there will be demand for training and I think we have the capability to provide that training as we go forward.

Brian Jones: When it comes to innovation, of course also in the private sector I see the larger and smaller firms competing to digitize their processes. That's part of the fifth element of the digital industrial revolution that I might've left out earlier – **Automation.**

And then what we notice from the client or user side is a growing expectation for delivery to be in a digital format. In our world, when we look at something very simple, subscribing and redeeming of a mutual fund, that should be something that you should be able to do online, digitally, seamlessly, but generally, you still must manually fill a very detail subscription agreement and provide vast amounts of documentation, etc.

There is a way to streamline repetitive manual processes, cutting cost, and with that to enhance the user experience. The result of that should be more subscriptions, more transactions, at a lower cost, and those persons who are "pushing paper" previously can then start looking at more high value-added roles and move towards the direction of where the regulators want to see us, namely taking more of a true risk-focused approach to management and administration as opposed to purely operational focus.



When we effectively manage to shift our focus to risk management and process improvement on the industry level, that's when we'll also see more innovation and the quality and delivery of the services will be built and enhanced by technology, which we have to embrace. Of course, there is a cost to it, but over time that cost is offset by the added value and the added volume of business.

Matthias Knab

At Opalesque we also cover innovation in the blockchain, cryptocurrency and digital asset space, so I am aware of your project of a digital Bahamian dollar, I think it is also called the Sand Dollar, right? When are you expecting this to be rolled out?

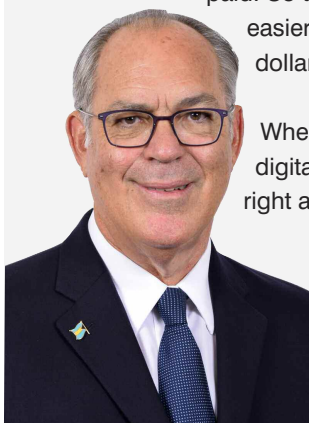
Brian Jones:

Correct, Sand Dollar is a codename for the project. The timeline is 2021 if I am not mistaken for the actual digitization. But it's going to be a gradual rollout because it will be a lengthy process to pull the most of the paper dollars out of the economy and educate the public as well.

Aliya Allen:

It's going to be piloted in Exumas before it's rolled out in other islands. By developing a digital version of our national currency we are signaling that this is important, and it communicates the message that the Bahamas has fully embraced digital innovation and that this is the way that we deliver our services - streamlined, effective, efficient, and automated, where possible and necessary.

Brent Symonette: From the international point of view, it also works the reverse way. If I have a house in Exuma and I am living in Toronto or anywhere else, I can also use the modern day technology to make sure my caretaker, the car insurance is paid. So the digital dollar and all the modern payment options that come along with it will also be making it easier for those persons who have a second home here or who want to come and live here to transfer dollars or operating dual accounts here, the Bahamas dollar and US dollars.



When we speak about digital delivery, applications now for permanent residency in The Bahamas are fully digital. You put in your application, scan your documents, and we can then come back to the applicant right away, so we hope to be able to have that further developed as we go on.

Also here we have to be more responsive and enhance the user experience, as Brian said. When someone applies for residency here, they don't want to wait for five, three or even one year for a permanent residency, they want to know when they have made that decision and that investment.

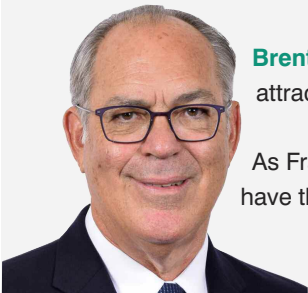
Francesco Vanacore:

Just a quick comment on digitization. We know that with digitization also comes data, and interestingly if you look at the top ten new jobs that have been developed in the last 10 years, eight out of the ten new jobs are related to data. In so many industries people are now working on putting things onto the blockchain, which of course will then result in even more data.

Aliya Allen: I think the enterprise uses for blockchain are phenomenal. Setting aside tokens and capital raising, just the ability to utilize blockchain technology in things like healthcare and supply chain are just transformative.

There is also a role for The Bahamas to tie into the ecosystem of startups and entrepreneurs who often are the most brilliant people in the world but sometimes may lack financial knowledge and partially also business acumen.

I see an opportunity here to kind of stand in the gap and to provide the broader professional advice, expertise, and assistance. The people who are building wealth do have a greater need for advisors and they aren't actually wedded to any single jurisdiction. They are impressed with things like service delivery, which we were talking about, and aspects such as political stability and a sound legal and regulatory framework. Those are the things that matter to people who are growing innovative ideas, and that is the opportunity.



Brent Symonette: The Bahamas has recently introduced the **BH1 visa**, which is almost a tech visa and attractive for founders who want to come here to build the next Google or whatever.

As Francesco said, we already have an excellent knowledge base on the island and with those visas, we have the opportunity to attract the younger entrepreneurs, coders, and the like.

Francesco Vanacore: I attended a large tech conference with Aliya recently in New York where they shared with the audience how New York is progressing and that over the last three years 2,800 new jobs have been created in high-tech.

The funny thing is that on one side the industry is pushing for a new digital world order, if you will, and on the other side, some regulators are pushing back, for example, the crypto sphere. In The Bahamas, I think the situation is different here as there is a consensus from all sides to promote innovation, also in digital assets.

Of course, we are not the only jurisdiction saying that, but I do think that people who are looking for solutions and a jurisdiction to be based in aren't looking for any quick fix but rather a history of political stability and proven legal and regulatory framework and a court system based on the Western value of true independence.

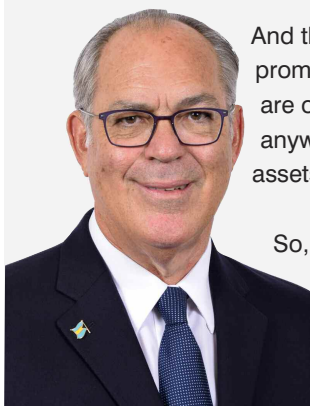


Brent Symonette: We talked about permanent residents but we also have a tremendous number of people with **second homes**, in the Abacos and places like that.

There is a sort of cycle or trajectory where, for example, people or families start off in a hotel, they like the place and come back, they investigate a bit and get a second home here, until – I had mentioned this before – a number of kids want also to live here. I can't tell you the number of permanent residents whose children are now becoming permanent residents, and they want the right to work because this is the country they have known and they want to keep their relationship here, build their businesses here, and create wealth from here.

Lyford Keys is 60-years-old this year, it was started by a Canadian investor. We mentioned Templeton, I remember John Templeton very well, that was in the early 60s when he came here and moved the Templeton companies to here. We have had some fantastic success stories over our 110 years of existence.

At this Roundtable, we are obviously very outspoken and positive on The Bahamas, and of course, tourism in The Bahamas is up to 6.6 million tourists arriving this particular year. But what you will also find as you travel around the world is that we have the fourth largest or third largest Maritime registry and that at any time you may come across cruise ships and many other vessels that are registered on The Bahamian flag. On any ocean, you can see that Bahamian flag flying everywhere, which is a nice and constant form of promotion too.



And then there are many high profile persons who tend to be very quiet in this community but they are still promoting The Bahamas in their way, and many of us know them or some of them. A lot of these people are on the move and travel a lot. Someone bumps into them in a business meeting, an airport or anywhere else, and when asked, "Where do you live?" You'll hear, "The Bahamas. I have moved my family assets there."

So, there is a lot of what I call quiet marketing happening at different levels every single day. Tiger Woods, Ernie Els are involved with developers here and are out promoting, and we see residences being sold as a result of that.

Aliya Allen:

Right, and the story continues also when you look outside of Nassau to the other islands like the Exumas and Eleuthera considering the developments there. As we have said, The Bahamas is a real place. I continue to be incredibly bullish on The Bahamas and the opportunities that exist here.