



BFSB Industry Development Series – Session II

International Initiatives Impacting Financial Services

- Multinational Enterprises Reporting Bill 2018:
BEPS and Country by Country Reporting
- Tackling Ring-fencing, Substance and Real
Economic Presence
- Beneficial Ownership Registers

Concerns of the EU Code of Conduct Group - Blacklisting

Criterion 1.1 – Commitment to sign and ratify the Multinational Competent Authority Agreement on CRS;

Criterion 1.3 – Commitment to sign and ratify the OECD Multilateral Convention on Mutual Administration Assistance in Tax Matters;

Criterion 2.2 – Compliance with the economic substance and elimination of ring-fencing regimes in tax matters as detailed in the following 5 criteria:

- **“Whether advantages are accorded only to non-residents or in respect of transaction carried out with non-residents”**
- **“Whether advantages are ring-fenced from domestic market, so they do not affect the national tax base”**
- **“Whether advantages are granted even without any real economic activity and substantial economic presence with the Member State offering such tax advantages”**
- **“Whether the rules for profit determination in respect of activities within a multinational group of companies depart from internationally accepted principles, notable the rules agreed upon with in the OECD”**
- **“Whether the tax measures lack transparency, including where legal provisions are relaxed at administrative level in a non-transparent way”**

Criterion 3 – Confirm the commitment to join the BEPS Inclusive Framework or commit to the BEPS minimum standards.



Multinational Enterprises Reporting Bill 2018: BEPS and Country by Country Reporting

The Multinational Enterprises Reporting Bill 2018 Timeline

- It is assumed that the compliance of The Bahamas with its CRS obligations and executing the relevant conventions will satisfy Criterion 1.1 and 1.3.
- The MNE Bill seeks to address the requirements of Criterion 2.2 and 3
- March 20, 2018 Government released MNE Bill for consultation
- BFSB through its International Initiatives Working Group initiated industry wide consultations. A comprehensive comment paper was issued by BFSB to The Government on April 16, 2018
- The Government released a revised MNE Bill incorporating comments from industry on April 25, 2018.

Comments and Revisions to Initial MNE Bill

The notable changes to the initial MNE Bill in part as a result of the BFSB Comment Letter include:

- Ring-fencing provisions and economic provisions were stripped from the initial MNE Bill and will be addressed separately
- The MNE Bill amended to closely reflect the OECD Model legislation
- The ability for the Minister of Finance to unilaterally impose taxes on entities through Regulations without Parliamentary debate was removed. Concern was that tax reform could be attempted through Regulations.

Intent of MNE Bill

The objective of the MNE Bill is to satisfy the obligations under BEPS Action 13 – Country by Country Reporting

Key provisions of BEPS Action 13:

- Requires multinational enterprises (MNEs) to report annually and for each tax jurisdiction in which they do business the information set out in the prescribed Country-by-Country (CbC) Report.
- Can facilitate implementation through one of three ways:
 - Multilateral Convention on Administrative Assistance in Tax Matters;
 - Bilateral tax conventions; and
 - Tax Information Exchange Agreements (TIEAs)
- The purpose of the CbC MCAA is to set forth rules and procedures as may be necessary for Competent Authorities of jurisdictions implementing BEPS Action 13 to automatically exchange CbC Reports prepared by the Reporting Entity of an MNE Group and filed on an annual basis with the tax authorities of the jurisdiction of tax residence of that entity with the tax authorities of all jurisdictions in which the MNE Group operates.

Key Provisions of MNE Bill 2018

Key provisions of the MNE Bill include:

- Applies to Groups having total consolidated group revenue of US\$850 million or above (see definition of “excluded MNE Group”)
- Each ultimate parent entity of an MNE group that is resident in The Bahamas shall file a CBC Report
 - Resident means (a) incorporated in The Bahamas; (b) a place of effective management in The Bahamas; or (c) being subject to financial supervision in The Bahamas.
- Surrogate parent entity (an entity designated as a substitute entity to the ultimate parent entity) can perform the reporting as the parent entity.
- Upon request and notice given the Authority can request information from the constituent entity to verify accuracy of the report

Key Provisions of MNE Bill 2018

Key provisions of the MNE Bill include:

- If the information requested by the Authority is out of the country, the constituent company shall bring the information to The Bahamas
- A constituent entity shall retain the information that relates to the information required to be reported for 6 years.
- Various penalties for non-compliance and administrative failures are detailed in Sections 15 - 19.

What is included in the Country by Country Report

Key provisions of the CBC Report (Section 5 and the First Schedule) include:

- Aggregate information relating to the amount of revenue, profit or loss before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which the MNE Group operates.
- Identification of each constituent entity of the MNE Group and the jurisdiction of tax residence.
- CBC Report shall be filed no later than 12 months after the last day of the fiscal year of the MNE Group.



Questions



Tackling Ring-fencing, Substance and Real Economic Presence

EU Criteria 2.2

Criterion 2.2 – Compliance with the economic substance and elimination of ring-fencing regimes in tax matters as detailed in the following 5 criteria:

- **“Whether advantages are accorded only to non-residents or in respect of transaction carried out with non-residents”**
- **“Whether advantages are ring-fenced from domestic market, so they do not affect the national tax base”**
- **“Whether advantages are granted even without any real economic activity and substantial economic presence with the Member State offering such tax advantages”**
- **“Whether the rules for profit determination in respect of activities within a multinational group of companies depart from internationally accepted principles, notable the rules agreed upon with in the OECD”**
- **“Whether the tax measures lack transparency, including where legal provisions are relaxed at administrative level in a non-transparent way”**

Economic Substance

The objective of the Economic Substance requirements of EU Criteria 2.2 is to satisfy the obligations under BEPS Action 5 – Countering harmful tax practices more effectively, taking into account transparency and substance

The BFSB in their April 16, 2018 Comment Letter to The Government recommended the following:

- Should be legislated separately from country by country reporting
- Model guidance on economic substance after the OECD BEPS Action 5 2015 Report and the Harmful Tax Practices- 2017 Progress Report on Preferential Regimes – Inclusive Framework on BEPS Action 5.
- Economic Substance determinations should take into account specific uses of the entity in defined regimes – Consistent with BEPS Action 5.

BEPS Action 5

- The substantial activity requirement used to assess preferential regimes should be strengthened in order to realign taxation of profits with the substantial activities that generate them.
- Nexus Approach - The nexus approach uses expenditure as a proxy for activity
- A substantial activity requirement should ensure that taxpayers benefiting from these regimes did in fact engage in such activities and did incur actual expenditures on such activities.
- Improving transparency, including compulsory spontaneous exchange on rulings related to preferential regimes.

BEPS Action 5

- The substantial activity requirement contributes to the second pillar of the BEPS Project, which is to align taxation with substance by ensuring that taxable profits can no longer be artificially shifted away from the countries where value is created.
- IP Regimes - the nexus approach also permits jurisdictions to provide benefits to the income arising out of that IP, so long as there is a direct nexus between the income receiving benefits and the expenditures contributing to that income. This focus on expenditures aligns with the underlying purpose of IP regimes by ensuring that the regimes that are intended to encourage R&D activity only provide benefits to taxpayers that in fact engage in such activity.

BEPS Action 5

IP Regimes

- Qualifying expenditures must have been incurred by a qualifying taxpayer, and they must be directly connected to the IP asset.
 - They would not include interest payments, building costs, acquisition costs, or any costs that could not be directly linked to a specific IP asset
- Jurisdictions will define “overall income” consistent with their domestic laws on income definition after the application of transfer pricing rules which should comply with the following principles:
 - Income benefiting from the regime should be proportionate to the percentage of qualifying expenditures undertaken by qualifying taxpayers
 - Overall income should be limited to IP income. This may include royalties, capital gains and other income from the sale of an IP asset, and embedded IP income from the sale of products and the use of processes directly related to the IP asset.

BEPS Action 5

Substantial activity requirement in the context of non-IP regimes

- the substantial activity requirement should also establish a link between the income qualifying for benefits and the core activities necessary to earn the income.
- The determination of what constitutes the core activities necessary to earn the income depends on the type of regime. Even where regimes are aimed at a similar type of income there can be a wide variation in the application of different countries' regimes, so a more detailed consideration of the relevant core activities would need to be undertaken at the time and in the context of a specific regime being considered.

BEPS Action 5 – Non-IP Regimes

Headquarters

- Headquarters regimes grant preferential tax treatment to taxpayers that provide certain services such as managing, coordinating or controlling business activities for a group as a whole or for group members in a specific geographical area.
- The core income-generating activities in a headquarters company could include the key activities giving rise to the particular type of services income received by the company.

Distribution and service centers

- Distribution centre regimes provide preferential tax treatment to entities whose main or only activity is to purchase raw materials and finished products from other group members and re-sell them for a small percentage of profits. Service centre regimes provide preferential tax treatment to entities whose main or only activity is to provide services to other entities of the same group.
- The core income-generating activities in a distribution or service centre company could include activities such as transporting and storing goods; managing the stocks and taking orders; and providing consulting or other administrative services.

BEPS Action 5 – Non-IP Regimes

Financing or leasing

- Financing and leasing regimes are regimes which provide a preferential tax treatment to financing and leasing activities.
- The core income-generating activities in a financing or leasing company could include agreeing funding terms; identifying and acquiring assets to be leased (in the case of leasing); setting the terms and duration of any financing or leasing; monitoring and revising any agreements; and managing any risks.

Fund management

- Fund management regimes grant preferential tax treatment to income earned by fund manager for the management of funds. The focus is not the taxation of the income or gains of the fund itself or of the investors in a fund but the income earned by fund managers from the management of the fund.
- In terms of substantial activity the core income-generating activities for a fund manager could include taking decisions on the holding and selling of investments; calculating risks and reserves; taking decisions on currency or interest fluctuations and hedging positions; and preparing relevant regulatory or other reports for government authorities and investors.

BEPS Action 5 – Non-IP Regimes

Banking and insurance

- The main concern is linked to the benefits that they provide to income from foreign activities. In terms of substance, the regulatory environment, where applicable, should already ensure that a business is capable of bearing risk and undertaking its activity. \
- In the context of insurance, it may be more difficult to easily identify those activities and regimes that raise concerns in respect of substance versus those that do not because of the possibility that risks may have been re-insured.
- The core income-generating activities for banking companies depend on the type of banking activity undertaken, but they could include raising funds; managing risk including credit, currency and interest risk; taking hedging positions; providing loans, credit or other financial services to customers; managing regulatory capital; and preparing regulatory reports and returns.
- The core income-generating activities for insurance companies could include predicting and calculating risk, insuring or re-insuring against risk, and providing client services.

BEPS Action 5 – Non-IP Regimes

Shipping

- Shipping regimes provide a preferential tax treatment to shipping activities and are designed taking into considerations significant non-tax considerations..
- The core income-generating activities for shipping companies could include managing the crew (including hiring, paying, and overseeing crewmembers); hauling and maintaining ships; overseeing and tracking deliveries; determining what goods to order and when to deliver them; and organising and overseeing voyages..

BEPS Action 5 – Non-IP Regimes

Holding companies

- Holding company regimes can be broadly divided into two categories: (i) those that provide benefits to companies that hold a variety of assets and earn different types of income (e.g. interest, rents, and royalties) and (ii) those that apply only to companies that hold equity participations and earn only dividends and capital gains.
- In the context of (i) above, to the extent that holding company regimes provide benefits to companies that earn income other than dividends and capital gains, the substantial activity requirement should require qualifying taxpayers to have engaged in the core activities associated with those types of income.
- Holding companies that fall within category (ii) above and that provide benefits only to dividends and capital gains, however, raise different policy considerations than other preferential regimes in that they primarily focus on alleviating economic double taxation. They therefore may not in fact require much substance in order to exercise their main activity of holding and managing equity participations.

BEPS Action 5 – Non-IP Regimes

Holding companies

- These regimes could, however, raise policy concerns that are not directly related to substance. Countries' concerns about holding company regimes are often related to transparency and their inability to identify the beneficial owner of the dividends.
- Once these other policy considerations have been addressed, there should be less of a concern that these regimes are used for BEPS.
- Therefore, to the extent that holding company regimes provide benefits only to equity holding companies, the substantial activity factor requires, at a minimum, that the companies receiving benefits from such regimes respect all applicable corporate law filing requirements and have the substance necessary to engage in holding and managing equity participations (for example, by showing that they have both the people and the premises necessary for these activities).
- This precludes the possibility of letter box and brass plate companies from benefiting from holding company regimes.

BEPS Action 5 – Tax Rulings

The second priority under Action 5 is to improve transparency, including the compulsory spontaneous exchange of information on certain rulings.

There are six categories of taxpayer-specific rulings which in the absence of compulsory spontaneous exchange of information could give rise to BEP concerns. These six categories are:

- (i) rulings relating to preferential regimes;
- (ii) unilateral APAs or other cross-border unilateral rulings in respect of transfer pricing
- (iii) cross-border rulings providing for a downward adjustment of taxable profits;
- (iv) permanent establishment (PE) rulings;
- (v) related party conduit rulings; and
- (vi) Any other type of ruling agreed that in the absence of spontaneous information exchange gives rise to BEPS concerns.

BEPS Action 5 – Tax Rulings

Rulings are “any advice, information or undertaking provided by a tax authority to a specific taxpayer or group of taxpayers concerning their tax situation and on which they are entitled to rely.”

As a general rule, exchange of information on rulings for the six categories need to take place with:

- a) The countries of residence of all related parties with which the taxpayer enters into a transaction for which a ruling is granted or which gives rise to income from related parties benefiting from a preferential treatment (this rule also applies in a PE context); and
- b) The residence country of the ultimate parent company and the immediate parent company.

We don't have a current regime for tax rulings, however, we do have to make provision in any legislation regarding economic substance that considers the spontaneous exchange of prescribed rulings.

Economic Substance as an Opportunity

The development of Economic Substance Regimes can be an opportunity for The Bahamas

We can define regimes and what constitutes economic substance that are beneficial and relevant to the industries we want to develop

- Family Offices
- IT Regimes
- Regional Distribution / Trade Hub - WTO



Questions

Ring Fencing

Criterion 2.2 – Compliance with the economic substance and elimination of ring-fencing regimes in tax matters as detailed in the following 5 criteria:

- **“Whether advantages are accorded only to non-residents or in respect of transaction carried out with non-residents”**
- **“Whether advantages are ring-fenced from domestic market, so they do not affect the national tax base”**

As mentioned, BFSB in its comment letter suggest to The Government that Ring-fencing provisions to be stripped from the initial MNE Bill and will be addressed separately

Regarding preferential regimes that are ring-fenced, we can eliminate the ring fencing by extending the regime to domestic taxpayers/transactions or by closing the regime.

Ring-fencing Regimes

A review of the current regimes that could be deemed preferential regimes that are ring-fenced should be undertaken.

At this time, we have identified the exemption for Stamp Tax IBCs and the fixed Business License fee of \$300 for businesses that are non-resident for Exchange Control

There are other policy related ring-fencing in The Bahamas (exchange control / national investment policy) however, the ring fencing concerns of the EU are concerned with tax related ring fencing.

BFSB made certain observations and identified considerations The Government should take note of on addressing the anti-ring fencing aspects of the EU mandate.

- This is where we have to be careful of not throwing the baby out with the bath water

BFSB Ring Fencing Observations

Business License

- There have been suggestions that the Business License fee be equalized for resident and non-resident businesses. This would be a simple fix; however, it is unclear how this will affect non-resident businesses operating from within The Bahamas.
- There has been an alternative suggestion, especially in the context of regulated entities, that the business license fee be incorporated into the annual license fee and not tax these entities on turnover, whether resident or non-resident. It is unclear what the fiscal effect of this regime would be.
- Further consideration and analysis should be undertaken before a definitive regime is agreed and announced.

BFSB Ring Fencing Observations

Stamp Tax

- IBCs are generally exempt from the imposition of Stamp Tax.
 - The threshold question is do we equalize tax exemptions (esp. Stamp Tax) with domestic companies now, or do we close the IBC ring-fenced preferences, utilizing the permitted grandfather provisions?
 - Alternatively, do we amend the Stamp Act to only impose Stamp Tax on Bahamian real property transactions. This would preserve the current environment where the utilization of IBCs for cross boarder financing transactions, and pledging of assets and shares is preserved. The same application, or non-application of The Stamp Act as the case may be, will be the same for domestic companies and IBCs.
- If it is decided to close the preferential regime, we need to allow for a grandfather/transition period (e.g. 30 June 2021) as is permitted in the Action 5 guidance.

Vulnerabilities in Eliminating Ring-Fencing Regimes

There are existing business that we rely on in The Bahamas that can be put at risk, or eliminated if we are not careful in how we address ring-fencing regimes. These include:

- **Cross Boarder financing**
 - Share pledges, secured financings
- **Non-resident physical presence businesses**
 - Regulated Financial Services businesses (asset managers / broker dealers / banks / trust companies, etc.
 - How do we address similar businesses that don't require regulation?
 - Family Offices
 - Non-regulated proprietary trading operations



Questions



Register of Beneficial Ownership Bill, 2018

Registers of Beneficial Owners

Registers of Beneficial Ownership has been imposed by the UK on its overseas territories

- Overseas territories have undertaken differing formats for their registers
- Cayman – off grid system

A continuation of the global movement for enhanced ownership transparency

- FATF
 - FATCA
 - CRS
 - BEPS
 - BO Registers
 - Trust registers – are they next?
-
- Bahamas has proposed via tabling in Parliament the Register of Beneficial Ownership Bill, 2018

Register of Beneficial Ownership Bill

Provides the framework for the establishment of a beneficial ownership database

Section 4:

The competent authority shall establish an electronic beneficial ownership database to enable —

- (a) each registered agent to enter and maintain the required particulars on the beneficial ownership of any corporate or legal entity for which it has responsibility; and
- (b) the designated person of each registered agent to access the electronic database to the extent of the information entered on behalf of the corporate or legal entity for which the registered agent acts.

Electronic Database (Section 4(2))

The electronic database shall —

- (a) be secure and accessible only by a designated person;
- (b) be accessible only from a designated secured location within The Bahamas;
- (c) be able to execute a search by either the name of an individual or the name of a corporate and legal entity; and
 - Can the designated person perform any search or only on the companies that they are registered agent for? - unclear
- (d) prevent communication to any person of the fact that a search is being made or has taken place except where the designated competent authority expressly discloses such communication.

What is a Corporate and Legal Entity

“**corporate and legal entity**” means an entity incorporated, registered, constituted, continued or otherwise established in accordance with —

- (a) the Companies Act (*Ch. 308*);
- (b) the International Business Companies Act (*Ch. 309*);
- (c) the Partnership Act (*Ch. 310*);
- (d) the Limited Liability Partnership Act (*Ch. 311*);
- (e) the Exempted Limited Partnership Act (*Ch. 312*);
- (f) the Executive Entities Act, 2011 (No. 52 of 2011);
 - By definition a Executive Entity has no beneficial owner

Who is a Beneficial Owner? (Section 5)

A beneficial owner is the natural person who ultimately owns or controls a corporate or legal entity and includes, though not restricted to —

(a) in the case of a legal person other than a corporate and legal entity whose securities are listed on a securities exchange, a natural person who ultimately owns or controls, whether directly or indirectly, **twenty five or more per cent** of the shares or voting rights in the legal person;

(b) in the case of a legal person, a natural person who otherwise exercises control over the management of the legal person;

- How do you define the exercise of control of management?
- Should the register be limited to equity owners only?

Beneficial Ownership and Trusts (Section 5(c))

How does the Bill address trusts – does it create a trust register?

(c) in the case of a legal arrangement —

(i) the partner or partners who control the partnership;

(ii) the trustee or other person who controls the legal arrangement; or

(iii) the settlor or other person by whom the legal arrangement is made;

Does this create a trust registry through the back door?

Are we going to far?

What about the beneficial owner of companies owned by trusts?

The Minister may issue regulations in relation to the determination of who is a beneficial owner of a corporate and legal entity.

- What else may be included through Regulation?

Exempt Persons from the Register (Section 7)

An exempt person is a person who meets one or more of the following conditions —

- (a) a corporate and legal entity which is recognised, registered or otherwise approved as an investment fund under the Investment Funds Act (*Ch. 369A*);
- (b) a corporate and legal entity the securities of which are listed on a securities exchange;
- (c) a licensee;
- (d) a corporate and legal entity which is a subsidiary of a corporate and legal entity that falls within paragraph (a) or (b); or
- (e) a corporate and legal entity exempted by regulations.

Who else should be deemed exempt?

- 100% Bahamian owned entities?

Registered Agent Responsibilities (Section 8)

A registered agent shall take reasonable steps to —

- (a) identify the beneficial owners and registrable legal entities of each corporate and legal entity for which it acts as registered agent;
- (b) collect and verify the prescribed information with respect to each corporate and legal entity for which it acts as registered agent,

and enter the said information onto a register to be kept by the registered agent and entered in the electronic database in accordance with this Act.

Each registered agent shall —

- (a) establish and maintain a register in accordance with this section; and
- (b) enter into the electronic database, the particulars of the required information on the beneficial ownership of every corporate and legal entity for which it acts as registered agent.

Requirements to be Entered into the Electronic Database (Section 10(2))

The required particulars of each corporate and legal entity including —

- (i) the full legal name, including alternative names;
- (ii) the incorporation number or its equivalent;
- (iii) date of incorporation;
- (iv) status;
- (v) registered address; and
- (vi) any other particulars as the Minister may by Order prescribe.

With respect to each beneficial owner of the corporate or legal entity —

- (i) the full legal name;
- (ii) residential address and, if different, an address for service of notices under this Act;
- (iii) date of birth; and
- (iv) nationality information identifying the person from his passport, driver's licence or other government-issued document including —
 - (aa) identifying number; (bb) country of issue; and (cc) date of issue and expiry.

Duty of Registered Agent to Retain Information (Section 11)

Information maintained by a registered agent, administrator, liquidator or other person involved in the dissolution of the company, in a register shall be maintained for all corporate and legal entities —

- (a) for five years following the dissolution of the corporate and legal entity; or
- (b) for five years after the corporate and legal entity cease to be a corporate and legal entity.

Query – maintain information for perpetual timeframe if company continues? Should the time period be for a finite period (i.e. 5 years after report filed?) What about if registered agent has changed – what are the ongoing obligations?

Overarching duty to keep information up to date.

Use of Electronic Database (Section 13)

Every registered agent shall designate one or more persons who shall have access to the electronic database from a physically secure premise and a secure IT system.

a designated person shall —

- (a) have passed security vetting tests;
- (b) be a fit and proper person; and
- (c) subscribe to the Oath of Confidentiality set out in the *Schedule*.

Searches

A designated person shall provide the results of any search of the electronic database requested under this Act within fifteen days of the submission of a request for information unless it is notified that the request is urgent, in which case it will provide the information sought of it within one hour, or such other time period to be agreed

How are Searches Administered?

A designated person shall execute a search of the electronic database if formally requested to do so by a senior officer of any of the following authorities —

- (a) the Office of the Attorney-General;
- (b) the Financial Intelligence Unit established under the Financial Intelligence Unit Act (*Ch. 367*);
- (c) the Compliance Commission established under the Financial Transaction Reporting Act (*Ch.368*);
- (d) the Securities Commission continued under section 10 of the Securities Industry Act (*No. 10 of 2011*);
- (e) the Insurance Commission established under the Insurance Act (*Ch. 347*).

Who is a senior officer?

A search conducted shall not be executed without certification that the request for the search is proper and lawful

- What is proper and lawful – how do you prevent fishing expeditions, is there an opportunity to challenge appropriateness of the search?

Confidentiality

The particulars of and all matters relating to a request made under this Act shall be treated as confidential, and no designated person who is notified of a request, or is required to take any action, or supply any information in response to or in relation to any matters to which a request relates or in any way becomes aware of a request, shall disclose the fact of the receipt of such request or any of the particulars required or information supplied to any other person except in accordance with this Act.

- No authority to advise the client that a search of their entity has been requested?

All information maintained on each register and in the electronic database is confidential, and shall not be accessible by any person except —

- (a) a designated person through the electronic database; and
- (b) the registered agent to whom the register relates.

Fees and Costs

Registrar is empowered to file on the electronic register where there is no registered agent of the entity.

- The Registrar shall charge such fees for the performance of its functions or services provided in accordance with this Act as shown in the *Schedule*.
 - There is no fee Schedule attached to the legislation

The Minister, may make regulations with respect to anything required to be carried out in this Act or prescribing anything required to be prescribed under this Act, including prescribing terms, conditions and fees in relation to the establishment and maintenance of the electronic database

- Does the Government intend on having industry pay for the register by way of Regulations?

Concerns and Observations over the Beneficial Ownership Register

The beneficial ownership of companies can be obtained through regulatory means from the registered agent / FCSP for the Bahamian entities.

Despite maintaining that a BO register will be private, this will not satisfy the legitimate data protection concerns for the following reasons:

- There have already been high profile and Bahamian data base hacks and data breaches.
- While the UK and presumably the EU will apply significant pressure to make the registers public, the Bahamas should wait and observe the results of the UK forcing the Cayman Islands, BVI and Bermuda to make their registers public.

The beneficial owner register is not an internationally recognized standard at this time – many G20 countries themselves do not have such legislation. We still need to continue to insist on a level playing field.

Concerns and Observations over the Beneficial Ownership Register

The Bahamas has focused, and successfully attracted clients from Latin America, a new region. Latin American clients have a specific concern about privacy as they live in an environment where kidnapping, victimization, and even murder can be common place. BO Registry could drive this business away.

The significant amount of international regulatory changes in just a small timeframe (FATCA / CRS / BEPS) has placed a significant strain on an already volatile and sensitive industry. The additional shock of a beneficial ownership registry (which is a major shock) could very well destabilize the financial services industry of The Bahamas

The imposition of additional shocks and challenges to the industry without having a clear value proposition or growth strategy will be detrimental to an already contracting industry

Ryan Pinder's Recommendation

Leave the Register of Beneficial Ownership Bill 2018 alone for now and focus on Economic Substance and Ring-fencing matters

Address Beneficial Ownership Register at a later date **AFTER** we re-define our value proposition and make some substantial advances

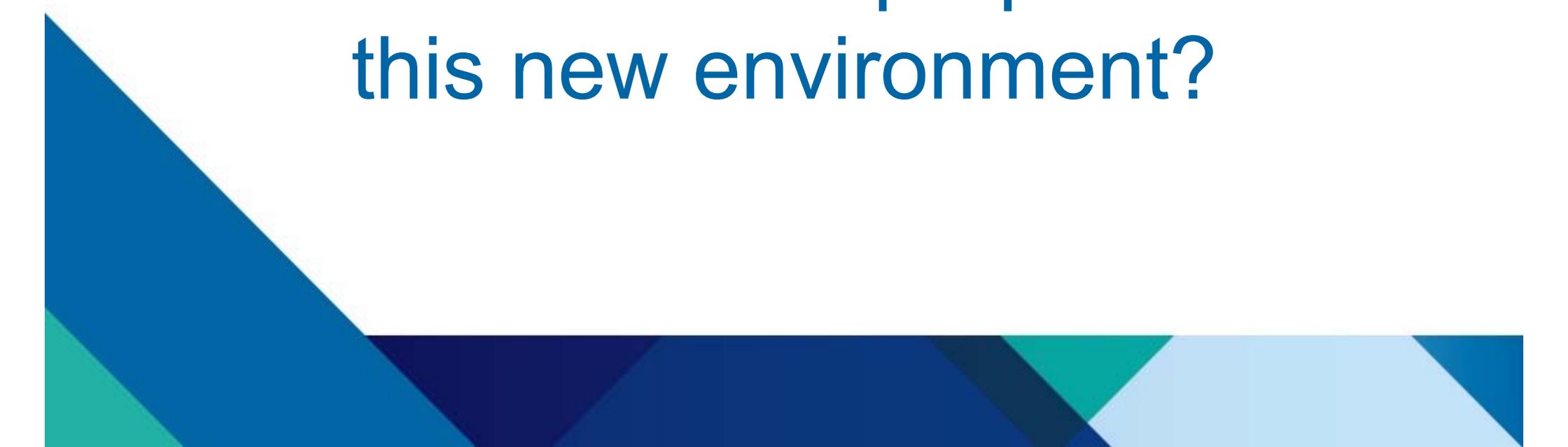


Questions



Where is The Bahamas in this
New World Order?

What is our value proposition in
this new environment?





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