gateway
THE BAHAMAS FINANCIAL REVIEW
Summer 2013

CELEBRATING OVER 80 YEARS OF PROVIDING FINANCIAL SERVICES AND 40 YEARS OF BAHAMAS INDEPENDENCE

THE NEXT Generation

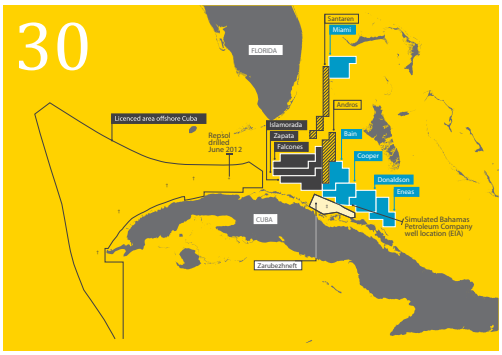
Financial Services

Meeting Challenges Head On

The Talent of our Future

Generational Views – The Vision and Future of the FSI

The Bahamas on the radar of Brazilian Investors



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From the Chairman & the CEO

Paul Winder, *Chairman, Bahamas Financial Services Board (BFSB)*

Aliya Allen, *CEO & Executive Director, Bahamas Financial Services Board (BFSB)*

This Summer's edition of Gateway was inspired by the celebration this year of The Bahamas' 40th anniversary of independence and asks the question, "what do you hope that the next 40 years will look like"? The question requires thinking that is both visionary and aspirational - so, we asked it in "Views from Across Generations" of two young bright next generation professionals, who are shining examples of the kind of talent, insight and energy that will take The Bahamas through the next 40 years. We also asked this question of seasoned industry professional Clifford Culmer, who noted that the creation of BFSB was a turning point for financial services development and promotion. This makes us extremely proud of the pivotal role that BFSB has played in the development of the sector in the 15 years since it was created.

In keeping with the aspirational tone of this issue, we felt that it was important to highlight some of the hopeful and encouraging developments in the captives market. In 2009, the development of The Bahamas as an international insurance domicile was a major part of our jurisdictional strategy. This has since been echoed by the Ministry of Financial Services. In her article Lesley Thompson of Atlas Captives details the attractive business environment, the sound regulatory regime and the flexible legislation that has put The Bahamas back in the captives game. In recognition of the need to support and sustain this growth, BFSB and the Insurance Commission of The Bahamas have partnered in an initiative that offers scholarships to persons desiring the accredited international captives designation.

Latin America and Brazil in particular remain a key geographic focus for The Bahamas. This has been solidified by the introduction of SMART Fund 007, and The Bahamas' recent attainment of IOSCO "A" status as well as promotional initiatives led by BFSB, the Ministry of Financial Services, and Industry. Ana Cecília Manente cites the introduction of the new smart fund as well as the current regulatory climate in Brazil as placing The Bahamas firmly on the radar of Brazilian investors.

As we go to press, there are many challenges currently facing the industry and many on the horizon which have led to uncertainty about the future of international financial centres in particular. The accepted view is that there will be IFCs that don't survive the new paradigm, those that will, figuratively speaking, fall off the map. Emmanuel Komalafe's article details the coalescing initiatives, the importance of sound corporate governance and speaks about the common characteristics that will enable jurisdictions like The Bahamas to not just navigate the new regulatory environment, but to thrive in it.

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Bahamas Financial Services Industry: Recent **Highlights**

AIFMD Memoranda of Understanding: The Securities Commission of The Bahamas signed Memoranda of Understanding (MOUs) with counterpart securities regulators in the European Union (EU) and European Economic Area (EEA) on July 18. The signing allows compliance with the Alternative Investment Fund Managers Directive (AIFMD) which was approved by the European Parliament and Council of the European Union on 8 June 2011, and entered into force on 22 July 2013. The European Union Directive regulates EU fund managers that manage alternative investment funds (AIFs); fund managers that manage AIFs established in the EU; and fund managers that market the units or shares of an AIF in the EU. The MOUs set standards for co-operation and cross-border supervision, making the supervision of alternative funds more consistent globally and strengthening investor protection. The existence of co-operation arrangements between the EU and non-EU authorities was a precondition of AIFMD for allowing managers from third countries access to EU markets or to perform fund management by delegation from EU managers.

FATCA IGA: The Bahamas Ministry of Financial Services in July announced that Cabinet had approved its proposal that The Bahamas should elect to go with a Model 1 Intergovernmental Agreement for Foreign Account Tax Compliance Act (FATCA) implementation in this jurisdiction. Negotiations in this respect are now underway.

The provisions under the US Hiring Incentives to Restore Employment (HIRE) Act commonly known as FATCA became law in March 2010. FATCA targets tax non-compliance by U.S. taxpayers with foreign accounts; effectively, it requires Foreign Financial Institutions (FFIs) to obtain and report information regarding US customers and beneficial owners to the Internal Revenue Service (IRS) or suffer 30% withholding tax on US sourced income. In 2012 the U.S. Treasury Department announced that it was engaged with countries and jurisdictions around the world to improve international tax compliance and implement the information reporting and withholding tax provisions under FATCA. It introduced model intergovernmental agreements (IGA) that serve as the basis for concluding bilateral agreements with interested jurisdictions. These provide the option for government to government reporting versus financial institutions reporting directly to the Internal Revenue Service, with reporting in the latter case supplemented by information exchanged between the governments concerned, upon request.

IMF FSAP & Article IV Reports: The Bahamian financial system faces no obvious near-term threats to financial stability according to the International Monetary Fund's (IMF) latest Financial Sector Assessment Program (FSAP) mission to The Bahamas. The report which was released in April 2013 noted that the onshore banking system is well capitalized, liquid, and profitable and that stress tests had shown that the onshore banks can withstand severe shocks to solvency and liquidity. The FSAP report indicated that the offshore financial sector is very large, with total offshore bank assets equivalent to 75 times GDP at end-2011, although this mainly reflects large treasury operations of global banks intermediated through the system. Interconnections are predominantly between offshore banks and their foreign parents, and strict firewalls protect the domestic economy and financial system from the offshore sector. The IMF also noted that financial system oversight has improved greatly over the last decade and the authorities continue to act with resolve on a wide variety of fronts to institute further improvements. However, further strengthening is needed to ensure the financial system remains robust well into the future, particularly in insurance and securities where relatively new legislation is in place, and in pensions, where governing legislation is pending.

The IMF also published the latest Article IV Consultation Report on The Bahamas, with the Executive Director for The Bahamas reporting satisfaction with the recognition of the country's strong bank supervision framework and that risks to financial stability are minimal. Recognition was given to the set of policy options outlined in the report, described as mostly in tune with initiatives already being implemented or in the process of being implemented by the authorities, inclusive of the tax and public financial management reforms. The Bahamas was recognised as the fourth largest OFC, described as holding 12% of all foreign assets held by banks in OFCs worldwide, and with foreign assets of offshore banks registered in The Bahamas amounting to over US$501 billion.

Bahamas Landfall Events: BFSB introduced these highly successful promotional programmes in 2010. They are designed to provide financial service intermediaries and other service providers in targeted markets with updates on legislative and business developments in The Bahamas and to enable participating BFSB members to connect with potential business opportunities. A key factor of the success of the initiative has been the sponsorship by member firms, which also profiles the depth of service offerings from the jurisdiction, as well as participation by the Ministry of Financial Services, underscoring the government's commitment to the industry.

The 2013 "landings" to date have included Brazil and London, with upcoming events scheduled for Miami and Canada in the fall. These events complement a full schedule of BFSB's overall external communications and marketing programme which features conference and seminar participation across the key sectors of private wealth management, investment funds, and insurance – in addition to customized Briefing Visits as took place in Mexico in May, 2013.

Financial Centres
Competing on the Global Stage

By Mark Yeandle

The world of 'offshore' finance is at a crossroads and individual offshore centres have choices to make. What is 'offshore' and what should offshore centres stand for? Many of the world's smaller states or territories have sought to become successful financial centres by using their constitutional independence to develop legislation, regulation and tax vehicles that attract non-resident business. Many have used their comparative advantage to create world-class expertise in international financial services.

There are also several states that are relatively small, independent and, although not geographically 'offshore', exhibit several of the key competitive advantages of the island states. Geneva, Zurich, Luxembourg and even places such as Hong Kong are viewed as 'offshore' centres by many who deal with them. Whatever the definition, the most enduring offshore centres offer ways of transacting essential but complex wholesale finance transactions, e.g. reinsurance in Bermuda; private wealth management in The Bahamas; or wealth protection in the Swiss centres. Many of these centres have also attracted expertise in professional services with many law firms and

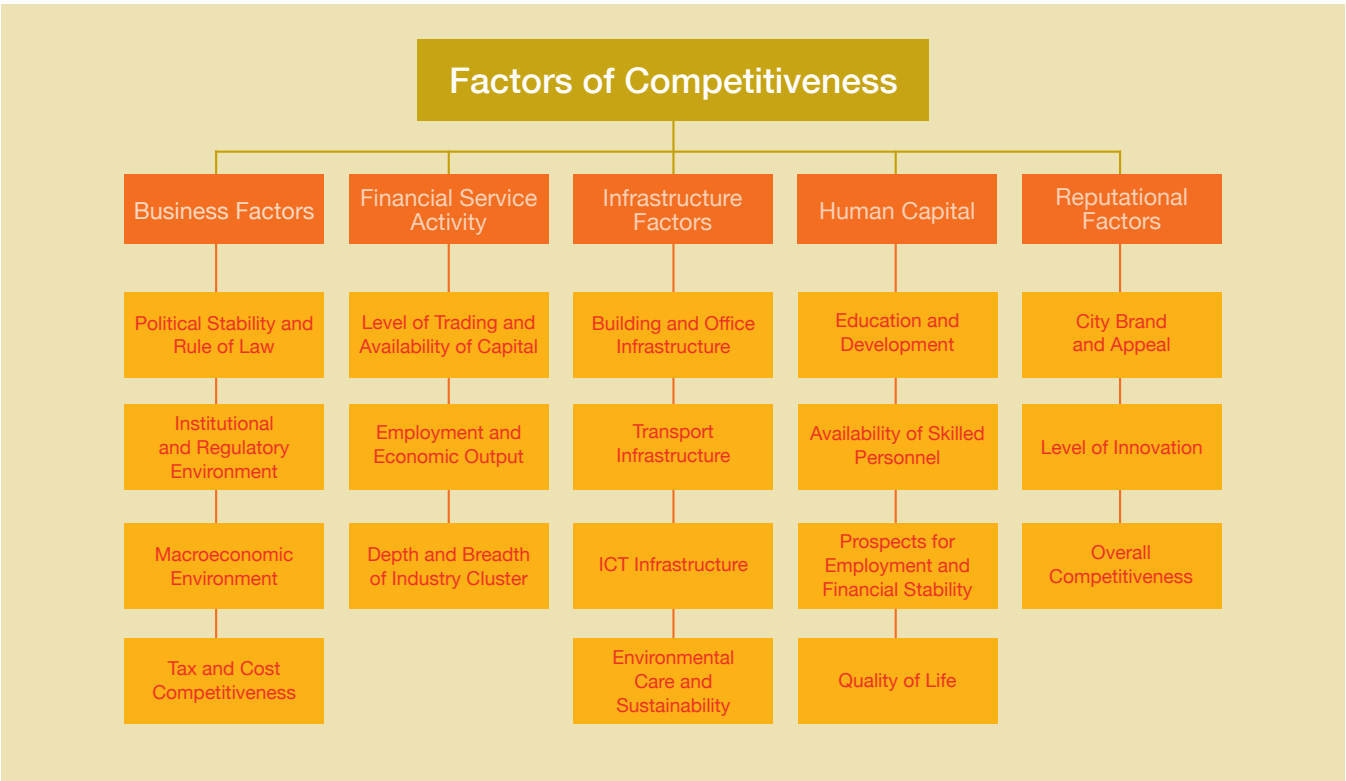
accountants having a presence. In general, offshore centres are viewed as strong in wealth and asset management as well as fund administration and professional services.

Offshore centres, however, have suffered significant reputational damage over the past few years with publicity around aggressive tax planning schemes and threats from several larger countries to try to limit the activities of offshore centres. Currently, the media spotlight is on the activities of larger nations which are applying increasing pressure trying to prevent tax competition. The OECD members are discussing their regulatory frameworks and the implementation of sanctions for non compliance. The Foreign Account Tax Compliance Act (FATCA) is an important development in US efforts to improve tax compliance involving foreign financial assets and offshore accounts, and will have serious implications for some offshore centres. The pressure is on the offshore jurisdictions to reduce secrecy and tighten up on loopholes that allow money-laundering.

Z/Yen Group is a London think-tank that conducts a great deal of research into the competitiveness of financial centres around the world. The most renowned output of this work is the Global Financial Centres Index (GFCI)[1]. GFCI began as a pilot in 2005 and was first published by Z/Yen Group in March 2007. Since 2007 GFCI has been updated every six months.

The GFCI shows the reputational 'advantage' and 'disadvantage' of each financial centre. This measure compares perceptions of financial centres with more quantitative indices. It is noticeable that nearly all offshore centres have strong reputational disadvantages. Despite this damage, we see a positive outlook for many of the offshore centres. With time, these challenges could well improve reputation and attractiveness, but a passive strategy is unlikely to result in success.

We believe that there are five overarching fields of competitiveness for a financial centre. These are environmental business factors, financial services activity, infrastructure, human capital and reputational factors:



Not all of these factors apply equally to all financial centres. Currently, the factors that concern financial services professionals the most are to do with the business environment. Political and economic stability, the rule of law, the regulatory environment and tax are all considered vital when assessing financial centres. The availability of skilled people and the reputation of a centre are also considered very important.

The GFCI draws on two separate sources of data – instrumental factors (external indices) and responses to an online survey:

♦ Instrumental factors:
previous research indicates that many factors combine to make a financial centre competitive. These factors can be grouped into the five overarching fields of competitiveness mentioned above. Evidence of a centre's performance in these areas is drawn from a range of external measures. For example, evidence about a fair and just business environment is drawn from the Corruption Perceptions Index (published by Transparency International), the Ease of Doing Business Index (World Bank) and the Operational Risk Rating (EIU).

♦ Financial centre assessments:
GFCI uses responses to an ongoing online questionnaire[2] completed by international financial services professionals. Respondents are asked to rate those centres with which they are familiar and to answer a number of questions relating to their perceptions of competitiveness.

The ratings and rankings are calculated using an instrumental factor assessment model which combines these sources into a rigorous statistical view of how centres would fare on their factors alone, and how they gain or lose from reputational effects.

The benefit of this approach is that it allows us to examine how a particular centre performs in each instrumental factor (94 factors are currently used). In general terms, offshore centres are rated higher than average in measures of taxation (no real surprise here); higher than average in political risk (especially the UK overseas territories and crown dependencies); higher than average in ground and ICT infrastructure as well as in visa restrictions. In general terms, offshore centres tend to be below average in operational risk; foreign direct investment and human development (skilled financial personnel are often 'imported' rather than trained locally). Z/Yen maintains large databases of instrumental factors and often helps financial centres, both offshore and onshore, to identify and focus on both strengths and shortcomings.

The Bahamas and other offshore centres perform many worthwhile functions for the global financial system. These centres provide significant benefits for their clients and their onshore counterparts. Z/Yen argues that in order to combat the negative reputations of these centres there are several actions that are needed. Offshore centres should:

♦ continue to increase transparency;
♦ continue to demonstrate commitment to meeting international standards;
♦ continue to improve skill levels and specialisations (we would suggest consideration of stronger higher education strategies);
♦ aim to be seen as to be stout adherents to principles and ethics of fairness and ownership;
♦ promote the positive elements of offshore centres (perhaps the most significant action of all);
♦ in the longer-term, find stronger strategic positions (they need to have strong niches, not solely react to international pressures);
♦ find ways to 'sell' better regulation, e.g.creating a benchmarking community for family offices;
♦ seek creative marketing of financial tourism.

Professor Michael Mainelli, Executive Chairman of Z/Yen Group, feels that offshore centres need to better understand the uncertainty that drives most of their clients there in the first place. "Businesses can handle most uncertainties of the markets. That's what pooling, risk management and hedging are about. The uncertainty business can't handle is how the rules of the game will change in the future. Offshore centres have an unrivalled opportunity, denied to many larger democracies, to exude stability. Offshore centres should develop better ways of 'telegraphing' future regulatory roadmaps, e.g. a couple of our clients are pondering performance policy bonds, and others stronger, more regular regulatory calendars such as fixed five year cycles."

Offshore centres have a good story to tell – now is the time to tell it in a much louder and more confident voice. ::

[1] http://www.longfinance.net/fcf-publications.html
[2] http://www.zyen.info/gfci/

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Mark Yeandle is the lead author and co-creator of the Global Financial Centres Index (GFCI). He has been involved as well in many of Z/Yen's recent projects including an Anti-Money Laundering research project commissioned by the City of London Corporation and the ICAEW. He was project manager of a large research project into the use of PropheZy – Z/Yen's support vector machine for Best Execution Compliance Automation – the output of which was published in The Journal of Risk Finance as Best Execution Compliance Automation, Towards An Equities Compliance Workstation and Best Execution Compliance, New Techniques for Managing Compliance Risk. He was project manager for the research project funded by the Corporation of London in the Competitiveness of London as a Global Financial Centre.

As a result of his research into what makes financial centres competitive, Mr. Yeandle is interviewed regularly on television and radio and has spoken at many international conferences in centres such as Moscow, Seoul, Istanbul, Shenzhen, the Cayman Islands, Edinburgh, and, of course, London. He has conducted in depth research studies into all those centres and others including Montreal, Toronto, Copenhagen, Jersey, Guernsey and Shanghai.

In addition to project management, he runs SpecialiZm, Z/Yen's expert resource division and provides experts for management roles - typically for assignments of between 6 and 18 months. SpecialiZm provides experts in many functional disciplines including project management, operations, sales and marketing, finance, information technology and logistics.

Mr. Yeandle has a degree in business management and an MBA from Cass Business School where he specialised in Corporate Finance and International Marketing. He is a Fellow of the Chartered Institute of Marketing. He has been involved in several not for profit organisations through his involvement with City Livery Companies.

Navigating the New Regulatory Environment

By Emmanuel Komolafe

The global financial services industry and financial markets came under intense scrutiny in the aftermath of the Great Recession for practices that were deemed to be questionable and in some cases unethical. One significant revelation from the events leading up to the recent global financial crisis is that compliance with or the appearance of compliance with applicable laws, regulations and rules does not necessarily translate into good corporate governance and effective risk management by financial institutions. In retrospect, it is apparent that rules and regulations in and of themselves cannot guarantee the safety and soundness of financial systems. Experience has shown, as well, that the possession of extensive powers by regulatory agencies is not only useless in the absence of an understanding of regulated entities' operations; such powers could be dangerous when not used properly and at the appropriate time. The high leverage practices adopted by financial institutions when coupled with inadequate governance, lack of accountability and questionable remuneration practises were recipes for disaster as shown by the crisis. It is not surprising that the response

to the crisis has been the same as in times past. There have been proposals to enact new legislation, improve existing prudential rules, enhance regulatory powers, revamp existing regulatory frameworks or structures and increase the level of supervision of financial institutions in order to prevent a recurrence of the events leading up to the recent financial crisis.

Global Initiatives and Standards

The campaign to harmonise legislation across International Financial Centres (IFCs) around the globe has intensified since the crisis, with myriad initiatives driven by international organisations and groups, including but not limited to the G-20, Financial Stability Board, Organisation for Economic Cooperation and Development (OECD), Basel Committee on Banking Supervision (BCBS), International Association of Insurance Supervisors (IAIS) and the International Organisation of Securities Commissions (IOSCO). The reprioritizing of the harmonization of regulation in this regard is borne out of the increasing integration of financial markets and financial institutions across the world as well as the need for consumer protection. The G-20 Seoul Summit Declaration in 2010 provided a window into the general perception on expected financial regulatory reform post crisis. The aforesaid Declaration stated inter alia "We are committed to take action at the national and international level to raise standards and ensure that our national authorities implement global standards developed to date……"

The amendment to Article 26 of OECD Model Tax Convention allowing for group requests and the obtaining of foreseeably relevant information is a testament to the ever evolving landscape of international cooperation. In relation to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), the notable revisions to the Financial Action Task Force (FATF) 40 + 9 Recommendations and the updating of the Wolfsberg AML Principles for Private Banking have prompted responses from IFCs and financial institutions.

The release of the final regulations and model Intergovernmental Agreement to facilitate compliance with the US Foreign Accounts Tax Compliance Act (FATCA) has clarified requirements and paved the way for comprehensive preparation by entities subject to this legislation. In recent times, pronouncements by members of the EU and the Forum on Tax Administration to increase transparency, boost exchange of information and ultimately promote the automatic exchange of information also have highlighted the removal of national boundaries and heightened integration of the global financial services industry.

Responses from Governments and Regulators

The role of the global financial crisis in the new normal of heightened regulatory oversight cannot be ignored. The deliberate efforts of countries across the world to revamp the regulation of their financial systems are well documented with the development and implementation of new regulatory tools and styles. One thing is apparent, however, and that is the uncertainty and lack of consensus on what the optimal regulatory framework, system or solution actually is.

The United Kingdom has carried out an overhaul of its financial regulation replacing the Financial Services Authority with two new bodies created to oversee the country's banks, hedge funds and other financial institutions. The Prudential Regulation Authority is responsible for monitoring Britain's largest banks, while the Financial Conduct Authority is responsible for consumer protection and market abuse effective April 2013. The US has enacted and is implementing the Dodd-Frank Wall Street Reform Act - arguably the most comprehensive financial reform since the Glass-Steagall Act. The Dodd-Frank Act, which seeks to regulate financial markets and reduce the likelihood of another financial and economic crisis, created the Consumer Financial Protection Bureau, Office of Credit Ratings, a new Federal Insurance Office and a group of regulators known as the Financial Stability Oversight Council. The new US financial regulatory framework provides for the enhanced oversight of "systemically important" or "too big to fail" entities.

The European Union (EU) has not been left out of the radical reforms even as the region grapples with the fiscal and debt challenges faced by its members. New rules have been proposed and implemented while the EU's crisis-era short selling regime and its new institutional structure for financial system supervision are both to be reviewed over 2013.

The Re-emergence of Corporate Governance

The crisis further highlighted the pivotal role of sound corporate governance with a renewed emphasis on the involvement of the Board of Directors in the governance of financial institutions. Specifically, the spotlight has been placed on the education of board members and their understanding of their institutions' businesses. Boards can no longer afford to be "rubber stamps" for all proposals made or initiatives recommended by management; rather, they must challenge assumptions, question feasibility and scrutinise strategies before granting approvals. In this regard, the role of independent nonexecutive directors in corporate governance has never been more crucial. Executive compensation also has been given focus, with countries in the EU considering different approaches to this topic including proposals for placing a cap on compensation levels. This is alongside increased involvement in and questioning of proposed compensation by shareholders. Indeed the often recommended approach of linking risk management to compensation and incorporating prudent management in performance evaluations has been gaining momentum. One thing remains certain - the push towards increased board responsibility and enhanced management accountability will continue. International organisations also have provided a renewed focus and attention to corporate governance with the BCBS increasing the number of principles for good corporate governance from 8 to 14 and the IAIS joining the IOSCO, FSB and OECD in highlighting the need for improvement in certain key areas of corporate governance.

Management Survival Strategies

Financial institutions that will survive and ultimately thrive in the new regulatory environment must accept the new reality, accepting that it cannot be business as usual. As recent scandals involving the rigging of the London Interbank Offered Rate (LIBOR), rogue trading and AML/CFT breaches have shown, the cost of non-compliance is too enormous to be caught wanting. More importantly, financial institutions must adopt the philosophy that the robustness of their overall Enterprise Risk Management framework is just as crucial to their survival as continuous compliance with all applicable laws, regulations and guidelines. In order to thrive in this new environment, emphasis must be placed on a redefinition of the role of risk and compliance functions, talent management, client relationship management data protection, and innovation and product development.

Redefined Role of the Risk & Compliance Functions

It has been widely reported that the risk and compliance profession has been one of the few areas, from a recruitment and wage perspective, experiencing growth as demand is exceeding supply for these unique individuals. This has coincided with a more prominent role for individuals heading control functions within financial institutions. It would serve financial institutions well to ensure greater involvement of risk and compliance personnel in the decision making process and strategic planning. Boards should also be looking to these individuals more than ever before for independent and objective perspectives on the performance, operations and management of financial institutions.

A survey of 87 financial services groups in 10 countries conducted by JWG found that the financial services industry has assigned a €33.3 billion budget to improving its prudential regulatory reporting capabilities by 2015. It should be noted that this cost only accounts for regulation being implemented now. JWG further predicts that this cost will rise to around €50 billion when forthcoming regulation (e.g. Solvency II, Basel III et al) is taken into account.

Financial institutions will need experienced, highly qualified and respected persons to head their risk and compliance functions in order to keep them honest, provide the necessary support and steer them through the myriad new industry regulations that they must comply with to remain safe and sound. An equally important requirement is the employment of risk management information systems and automated compliance monitoring systems to ensure early detection and provide management with real time information on breaches and the effectiveness of internal controls.

Talent Management

The trend of job cuts and downsizing within financial institutions as a result of restructuring has been widespread. However, this phenomenon should not prevent financial institutions from attracting and retaining highly skilled professionals in order to attain success in an evolving marketplace. Individuals with the right skill set must be equipped with sufficient resources to propel the organisation

> "The global village that the world has become consists of individuals of diverse cultures, ethnicities and languages. It would therefore serve financial institutions well to invest in understanding the needs of their target markets"

to the next level. The price of mediocrity has never been greater and the rewards of exceptionality never more pivotal than in the current dispensation. In attracting new talent, specific emphasis should be placed on the vetting process to ensure that the agents of the institution possess good character, exceptional work ethics and integrity. Financial institutions will need to understand and appreciate that they are only as strong as their weakest link and only as ethical as their most unethical employee.

Client Relationship Management

The global village that the world has become consists of individuals of diverse cultures, ethnicities and languages. It would therefore serve financial institutions well to invest in understanding the needs of their target markets. A key component of this initiative is ensuring that relevant staff members are able to communicate effectively with clients across geographical areas and working hours are flexible enough to meet clients' needs. It goes without saying that multi-lingual skills will be extremely beneficial and vital for future success.

Exceptional customer service remains the main building block for success. Timely and responsive service using information technology as a tool but not as a substitute for human interaction is crucial to attract and retain clients in this new climate. The core objective of the customer service drive must be to anticipate the needs of customers and exceed them.

Data Protection

One of the most important principles upon which financial services is based is the preservation of privacy and maintenance of confidentiality of information relating to the clients and customers. In The Bahamas, financial services laws - including the Banks and Trust Companies Regulation Act, Securities Industry Act and Insurance Act - provide for the maintenance of the integrity of records by regulators and industry participants. Additionally, enshrined in the Data Protection (Privacy of Personal Information) Act, 2003 are provisions that govern the handling, security, use, disclosure, maintenance, updating and transfer of individuals' personal information by financial institutions and all other entities within The Bahamas.

Appropriate policies and procedures must be implemented to manage proprietary and customer data. These should be supported by information systems and technology within which adequate controls are installed to protect data and prevent unauthorised access to information. The risk to a financial institution's reputation as a result of breach of confidentiality or leaked internal data could be devastating and result in regulatory penalties and other risks.

Innovation and Product Development

Client attraction and retention is dependent on a financial institution's ability to evoke and maintain the interest of individuals seeking the appropriate products to suit their needs. Consequently, institutions should conduct detailed market research and analysis of their target markets. Existing portfolios should be reviewed to identify trends and segments in order to develop specific products tailored to unmet demands. Such analysis often also will consider demographics and the unique requirements of the various generations. It is fair to state that differentiation of similar products and services will be essential in financial institutions' gaining of competitive advantage going forward.

The Bahamas Advantage

The ongoing enhancement of local legislation and modernisation of systems in line with international standards and best practices are some of the features that distinguish The Bahamas from its peers. The re-introduction of the Ministry of Financial Services headed by a former industry practitioner has fostered the public private partnership required for

continuous productive dialogue within the industry. The Bahamian financial services industry also boasts of highly qualified professionals in the areas of law, accounting, risk management, compliance, wealth management, insurance and estate planning. The skilled workforce is supported by a robust legal and regulatory framework in a politically stable jurisdiction in which the Government is responsive to industry needs and concerns.

This jurisdiction's commitment to international cooperation was recognised in the approval of The Bahamas as a Signatory 'A' under the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information of the International Organization of Securities Commissions (IOSCO) in early 2013. While the Central Bank of The Bahamas continues to maintain the highest standards in its oversight of banks and trust companies in The Bahamas, the implementation of the new Insurance Act and External Insurance Act as well as the constitution of the Insurance Commission of The Bahamas have repositioned the jurisdiction as the destination of choice for captives.

The final verdict is that sailing through a rough sea with waves of new international standards and high tides of increased regulations, financial institutions will find that this new territory is characterised by uncertainties in the global financial markets. New strategies are imperative and a paradigm shift inevitable if success is to be achieved. The captains and crew members of financial institutions must work together and engage in constructive discussion to be proactive in their actions but responsive enough to address volatility in this new environment. True to their purposes, specific local regulatory requirements and rules as well as regulators themselves should serve as anchors to ensure stability. The new environment demands the right people, the right strategy and the right location.

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Emmanuel Komolafe holds qualifications in Accountancy, Business Economics, Compliance and AML from the Lagos State Polytechnic, University of Buckingham and the International Compliance Association (ICA)/University of Manchester. He also holds an LLM - Master of Laws specializing in banking law, securities regulation and international law from the University of Buckingham, UK. A Fellow of the Life Management Institute, Mr. Komolafe is a professional member of the International Compliance Association (ICA), Institute of Risk Management (IRM) and the Institute of Chartered Secretaries and Administrators (ICSA) in England.

Mr. Komolafe is a former Policy Officer (Central Bank of The Bahamas), Group Compliance Officer (AF Holdings Ltd) and Head of Risk & Compliance (Ansbacher (Bahamas) Limited), with years of experience in risk management and compliance. He is currently Chief Risk Officer at Colina Holdings Bahamas Limited.

Mr. Komolafe currently serves as a member of the Government's FATCA Advisory Working Group and various Committees of the BFSB. A former Vice President of the Bahamas Association of Compliance Officers, he is the current Deputy Chairman of the Insurance Advisory Committee and Bahamas Insurance Association (BIA) and serves as a director of the Insurance Institute of The Bahamas.

The owpinions expressed in this article are his and not those of Colina Holdings Bahamas Limited, any of its officers or any other organization to which he is associated. This article contains research information, excerpts or paraphrases from documents cited in its body. For comments on this article he may be contacted at – eoskomolafe@hotmail.com.

Is cash still a safe haven?

Alex Bowden and Tom March explore what can be learnt about cash when comparing historic real returns across asset classes.

On the 2nd May 2012 artist Edvard Munch's most famous work 'The Scream' sold for $120m at Sotheby's. The price was widely reported as a record-breaker, although when adjusted for inflation the sale wasn't even in the top seven most expensive pieces of art to be sold at auction. Although the seller had bought it for significantly less in nominal terms, the subsequent sale was at a loss after adjusting for inflation and it required almost twice the price tag just to break even. This is a tangible (if somewhat extreme) example of how inflation depletes the purchasing power of money and investments.

Inflation may not be the greatest threat in the short term, but we do believe that it is sensible to at least have a portion of portfolios positioned to protect against a pick-up in inflationary pressures, given the unknown risks posed by the unconventional policies now being pursued by the world's biggest central banks. This article will quote research that highlights the destructive nature of inflation on cash, particularly over long periods where a compounding effect takes hold.

Recently investors have argued that the Federal Reserve's decision to give a higher priority to the unemployment rate in setting interest rates, and the Bank of England Governor Mark Carney's preference for nominal GDP targeting, officially spell the end of inflation targeting as the driver of policy. If true, that implies that the risks of future inflation may already be rising. An alternative view is that the policy of quantitative easing which central banks have adopted in the US, UK and Japan is producing diminishing returns, and in a deleveraging environment makes an extended recession and even outright deflation more likely. Our view is that although central banks are reluctant to spell out their intentions, higher inflation is a stealth target of policymakers in the developed world, being the lesser of two evils. With this in mind at least a portion of any portfolio should be designed to protect against inflationary risks.

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How does inflation affect the asset classes and what can we learn from historic returns? An annual study carried out by Barclays (The Equity Gilt Study 2011)) shows annualised US asset returns since 1925 in real terms (inflation adjusted). The results are instructive. They show that bonds have exhibited strong real returns over the last 30 years, helped largely by a decrease in the rate of inflation over the period. However, with interest rates today at historically low levels, this phase in financial markets may be coming to an end. Furthermore, the data shows that the longer-term real returns on bonds have been less impressive relative to other asset classes.

A separate point of interest is the powerful impact of reinvesting income seen in the compounding of returns over time. The research states that the real value today of $100 invested at the end of 1925 is c$27,000 for equities, c$900 for bonds and c$150 for cash with income reinvested. This serves as a further example of the relative strength of non-cash asset classes over the long-term. It is also worth highlighting the research of a group of economists from London Business School (on behalf of Credit Suisse) who factor in two other asset classes, gold and housing, which are reputed to be inflation-hedging investments. The table below summarises the real returns and sensitivity to inflation of the major asset classes between 1900 and 2011.

Asset	Mean Return (%)	Sensitivity to inflation
Equities	6.9	-0.52
Bonds	2.3	-0.74
Bills (Cash)	1	-0.62
Gold	2.4	0.26
Housing	1.5	-0.20

The analysis shows that the value of cash is somewhat less sensitive to inflation than bonds, but still negatively affected, as interest rates typically fail to keep up with increases in the cost of living. Bond prices are influenced not just by rising interest rates, but by future inflation expectations as well. Although equities tend to do well during periods of moderate inflation, high levels of inflation are typically bad for all asset classes other than gold, according to this data. (The drawback of gold is that, while it is a good diversifier in a portfolio, its price can be very volatile and there are long periods when it too fails to generate positive returns).

Lastly you can see that housing historically has been less sensitive to inflation although again, it is not a perfect hedge. Most pertinent to the topic of this article, is the mean return column where it is evident that the real annualised return from cash is the weakest of all asset classes over the period.

The relevance of these data sets is that even a moderate level of inflation for an extended period can be hugely destructive to holders of cash. At the same time, while very high inflation is bad for nearly everything, moderate levels of inflation can be good for equities, as this tends to be associated with more robust economic fundamentals.

We are not suggesting that as an investor you go 'all-in' on equities; that really depends on your objectives, your attitude to market volatility and your time horizon. The point of this piece is to explain what we can learn from historical returns, and to remind us that cash, over the long term, isn't as safe as it may initially appear, especially if we are returning to a world in which rising inflation remains a very real threat.

Disclaimer

By necessity, this briefing can only provide a short overview and it is essential to seek professional advice before applying the contents of this article. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication. Details correct at time of writing.

Risk warning

Investment does involve risk. The value of investments and the income from them can go down as well as up. The investor may not receive back in total the original amount invested. Past performance is not a guide to future performance. Rates of tax are those prevailing at the time and are subject to change without notice. Clients should always seek appropriate advice from their financial adviser before committing funds for investment. When investments are made in overseas securities, movements in exchange rates may have an effect on the value of that investment. The effect may be favourable or unfavourable.

Alex Bowden **Tom March**

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Tom March is an Associate Director with Smith & Williamson Investment Management. He is actively involved in the implementation of strategy and the ongoing management of offshore portfolios. His expertise is in global asset allocation and equity selection, working on the Blairmore Global Equity fund. He is also currently doing an MBA at London Business School.

Smith & Williamson is an independently owned professional and financial services group employing around 1,500 people. The group is a leading provider of investment management, financial advisory and accountancy services to private clients, professional practices and mid-to-large corporates. The group has eleven principal offices in the UK and Ireland; these are in London, Belfast, Birmingham, Bristol, Dublin, Glasgow, Guildford, Manchester, Salisbury, Southampton, and Worcester. Smith & Williamson LLP is regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. It is a member of Nexia International. Smith & Williamson Investment Management LLP is authorised and regulated by the Financial Conduct Authority.

Succession Structuring for International Business Families

By Rose Chamberlayne

Increasingly mobile, ultra wealthy international business families are looking for advisers to coordinate multiple complex components of a comprehensive succession plan. Whilst the planning for each of these families is truly bespoke, three key collaborative trends dominate it:

Firstly, the increasing awareness by business families of the importance of incorporating best practice governance principles into their business succession structure so that it is equipped to last beyond the second and third generations;

Secondly, the proper analysis of risk and creation of secure structures where asset protection is a primary concern. This strategy is often termed "defensive structuring"; namely structuring to deter and deal with internal and external risks to the structure and business; and

Thirdly, the structure's ability to be sufficiently flexible to adapt to future changes - for example in legislation, family circumstances or the nature of the family assets.

Any will planning must be dovetailed into the structure planning and the proper analysis of the applicable succession law will be key. This is not always easy to determine for a peripatetic individual with assets in many countries, and it is not uncommon for an estate to devolve otherwise than the deceased planned as a result of conflicts of succession laws not properly explored at the time the will was executed.

Family governance and business succession structuring

Surviving a generational transition

According to a survey of Middle Eastern wealth structures[i], 41% of family businesses plan to pass their management to the next generation, while

25% intend to bring in professional management. Sadly, only around one third of family businesses will survive the transition from one generation to the next, mainly as a result of poor succession planning.

Poor succession planning can lead to family infighting which can disrupt a company's management and lead to serious financial loss. The Cayzer (UK), Ambani (India) and Kwok (HK) families are all highly public examples of how things can go wrong.

Family conflict is clearly the "Achilles Heel of most family run businesses"[ii]. Companies which implement good governance principles, with board quality and succession being two important factors, demonstrate to investors and family members that the company is being run properly, giving them confidence that the personal interests of one or more family members will not affect the long term value or reputation of the business. Those with governance deficiencies risk suppressed ratings and the inability to survive through the next generation and beyond.

Some common misconceptions

The pattern of the wealth breaking down by the third generation is illustrated by the old adage of "shirt sleeves to shirt sleeves in three generations", or the Asian equivalent "Fu Bu Guo San Dai". Wealth creators often believe that putting their wealth, which may include a family business, into a trust will be sufficient to counter this trend and preserve it for the next generation. However, from experience, a trust, even with innovations such as a private trust company ("PTC"), will not of itself preserve family wealth for much longer than a decade after the founder's death.

The governance solution

Binding family governance principles are required throughout the structure to avoid the dissipation of wealth beyond the second and third generations. These principles are based on governance standards which are now best practice for both public and private companies. We categorise them as follows:

- **Family Purpose** – like a company's memorandum of association;
- **Family Procedure** – like a company's articles of association; and
- **Family Governance** – based on corporate governance best practice standards.

This type of planning has been extremely popular with Middle Eastern families over the last decade or so, and more recently with Asian families who are quickly recognising the value of succession planning and governance strategies. In Asia, like the Middle East, most of the wealth is still concentrated in the first generation. It is estimated that around 80% of wealth in Asia will be transferred to the next generation in the next 10-15 years.

Family Purpose

The purpose runs through the whole planning, aligning the family members to the same goals and benchmarks. As well as covering the preservation of the trust fund, family benefit, investment strategy and perhaps philanthropy, it can focus on the family's participation in the trust and family business. The purpose can be set out in a purpose trust deed or family constitution (both binding) or a non-binding family constitution.

Family Procedure

Processes are included in the structure to avoid minority disagreements becoming substantial disputes by providing for:

- effective communication and reporting;
- fora and rules for meeting and decision-making;
- the accountability of the trustees and a mechanism for their removal;
- a dispute resolution procedure (focussing on ADR, confidentiality and flexibility);
- a central administrative hub (e.g. family office); and
- regular financial and legal audits.

Where possible, these processes should be included in the binding structure documents.

Family Governance

The governance introduces checks and balances at all levels of control and spreads power. It provides for accountability and regulation and encourages collective responsibility. The determination of succession by specific processes, rather than by the identification and existence of named individuals, protects the smooth transition of the trust and any underlying business between the generations.

There are significant advantages in including the governance in the binding structure documents so that it is enforceable, rather than in a letter of wishes which risks being ignored or differently interpreted in times of conflict.

By way of example, good governance focuses on having different people with different skills on boards at trustee, supervisory and underlying company levels. Maximum term limits ensure continual board refreshment and the democratic election of a different chairman for each board helps avoid deadlock. Making key decisions by special resolution avoids any one person or group from hijacking the process, whilst having representatives of the different boards attending each other's meetings ensures a flow of information and transparency.

When and how to implement the governance

The issue of succession and governance is always best addressed by the family as a whole when relations are harmonious. Ideally, the founder should begin to divest power during his lifetime so that the structure can be tested (particularly with regard to sibling-dynamics) and any problems ironed out while he is still alive. This can be difficult. The issue of control is a major cultural barrier facing wealth advisers to Middle Eastern and Asian families. Founders often worry about the younger generation's skills for the job, or about their perceived westernisation during their education there.

To allay founders' concerns we have worked with their adult children, under their watch, through meetings, workshops and questionnaires to guide them on the structuring process and enable them to make informed decisions concerning the structure which their father then sanctioned or tailored. This was a test for us (could we engage the children) and a test for them (were they ready to be involved). It involved significant father/child battles, particularly centred around the issues of equality of benefit and involvement. However, they engaged in the process and could, in turn, engage and educate their successors. Interestingly, succession and governance plans are increasingly initiated by the next generation who have been educated to see their necessity.

A committee (the name is less important than the powers it wields) which comprises family members (ideally with a balance of professionals) can be a useful office-holder within the structure. The founder can set control parameters during his lifetime, ideally with meaningful voting powers for all committee members. The formal management of involvement and expectations in this way can help to disincentivise an attack from within the family.

However, this type of planning does not suit all families. Indeed, there are sometimes benefits in families being anti-dynastic. The Dassler brothers, Adi and Rudolf, split their sports shoe business when they could no longer work together. The two businesses, Adidas and Puma, have become leading global brands.

Defensive structuring

Defensive structuring attempts to anticipate and pre-empt successful attacks on the structure from "outsiders", whether they be forced heirs, divorcing spouses, creditors or expropriatory governments. It should be viewed as part of good governance structuring.

Understanding how a structure could withstand attack and ensuring that assets are preserved to fulfil the founder's ultimate purpose requires a good knowledge of both the founder's and key family members' personal risks and how they interplay with conflict of law issues. Understanding the potential fracture lines in their lives is an essential first step to this type of planning.

In the event of litigation a court will look at the substance of a trust rather than its form. Advice therefore not only centres on the creation of a substantive trust with fortifications to deter and deal with disputes such as no-contest, dispute resolution and pre/post nuptial clauses, but also on preserving the integrity of the trust by making sure that it is run properly. When asset protection is the key aim behind the structure, both the limitation of reserved powers to the founder and the tactical location of assets will be central to any planning.

Flexibility

In recent years draconian new tax rules have been introduced, often with seemingly political rather than economic motivations. The UK has seen the implementation of taxes on offshore companies owning UK property, in France taxes on trusts with French connections have been introduced, and what about the USA's FATCA!

Family circumstances change in a myriad of ways. For example, second or third marriages and families may arise or beneficiaries may move to a high tax jurisdiction. Further, the nature of the assets within the structure may change if the family business is sold, or changes to the structure may be needed, particularly to governance, where the business seeks to attract external finance or investment.

Such events require a structure to be sufficiently flexible to adapt to changes and for the trustee to be alert and proactive in managing adaptation.

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Jurisdictional platform

A further significant factor in creating a successful structure will be the choice of jurisdiction. The three factors that most influence founders' decisions as to where to locate their assets are: political structure, perceived levels of security and tax[iii].

Each family requires personalised analysis of the pros and cons of certain jurisdictions. From a best practice perspective, when choosing a jurisdiction to house a trust structure, at a minimum, we look for:

- stability and independence - a good reputation is key;
- robust and well established trust and company legislation;
- a mature legal system with due process;
- a collegiate and experienced legal fraternity;
- sufficient qualified and experienced local service providers; and
- a beneficial tax system and a good regulatory framework.

Where asset protection is a primary concern, an established track record in dealing with high value claims will be key. Diversification of risk between different jurisdictions may be advisable.

The Bahamas is a forefront jurisdiction for comprehensive wealth structuring and we have had excellent experiences of working with visionary, first rate advisers there. For The Bahamas to maintain its high standards and competitive edge requires energy and the ability to adapt.

Recent proactive legislative changes keep The Bahamas in the vanguard in this area. Now it must offer a robust framework in which these structuring tools can be used. The sufficiency and expertise of service providers is key, as is a confident and well structured judiciary to ensure these tools stand up to international scrutiny.

Innovations should address real issues and not be introduced simply to attract business. The Executive Entity achieved this goal having been designed specifically to carry out roles within best practice wealth structures, whilst simultaneously preserving confidentiality, facilitating control and promoting good governance.

Conclusion

A well crafted, formalised structure, which benefits from the input of the next generation can manage risk and expectations by engaging the family in a democratic system with clear processes and succession mechanisms. Such a structure can mitigate considerably the scope for family conflict that can descend following a founder's death, with the risks to the family and its business of breach of confidentiality, reputational damage, family division, wealth dissipation, suppressed ratings and costly litigation.

The structure will also benefit from the introduction of robust defences. This may not stop attacks, but it will enable the structure to withstand them to the best of its ability.

Finally, choice of jurisdiction is central to any planning and The Bahamas is extremely well positioned to capitalise on this market.

[i] PwC – 6 Middle East Family Business Insights (Zawya, 12 November 2012). [ii] Ibid. [iii] Lawrence Graham LLP Panel Debate : Focus on Asia – 17 October 2011.

Rose Chamberlayne
Partner, Private Capital,
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Rose Chamberlayne works closely with some of the world's wealthiest families and their advisers to create bespoke wealth preservation structures, which are often dynastic in nature and incorporate the highest standards of family and corporate governance. She sets up family offices to act as the central administrative and investment hub of these structures. She also advises on asset protection and defensive structuring for global families.

A career highlight includes the enactment of the Bahamas Executive Entity legislation, the design and development of which Ms. Chamberlayne spearheaded for Lawrence Graham. This highly innovative new entity, which became law on 01 February 2012, looks set to revolutionise trust structures by offering a simple, tailor-made vehicle to carry out executive functions therein. She has been heavily involved in advising on the current benefits and uses of Executive Entities, as well as working with the Bahamian Financial Services Board and key industry members in The Bahamas to identity further potential uses for the Executive Entity and to help implement the necessary changes to enable such further usage. This work was awarded the highest ranking of 'stand out' in the 2012 FT Innovative Lawyers Awards.

BISX - Promoting an investment environment

By Keith Davies & Holland Grant

The Bahamas International Securities Exchange (BISX) works with industry and investors to create an environment and infrastructure that is conducive for investment in The Bahamas. In addition to maintaining the existing Bahamian Capital Market, BISX seeks growth through the development of products and services that allow Bahamian financial services providers, start-up entrepreneurs and existing businesses to operate more efficiently while accessing funds through the capital markets.

The Exchange currently lists 20 public companies that together offer 27 listed securities to the investing public. This includes 20 ordinary shares, 3 preference shares and 4 bonds that combined have a total market capitalization of approximately B$2.97 Billion. The two most recent Initial Public Offerings for Commonwealth Brewery Limited (BISX: CBB) in 2011 and APD Limited (BISX: APD) in 2012 together raised B$110 Million and illustrate investor interest in blue chip companies.

BISX also has 22 mutual funds on the Exchange's Mutual Fund Listing Facility. This facility has listed mutual funds denominated in US$, B$ and Euros and continues to offer a low-cost solution to retail and wealth management oriented service providers looking to take advantage of listing on an internationally recognized and regulated stock exchange.

BISX is also excited about the prospect of some of the larger international companies with significant operations in The Bahamas listing Bahamian Depository Receipts (BDRs) on the Exchange. From an international company perspective, this makes it easier to effect Employee Stock Ownership Plans without encountering issues with the Central Bank of The Bahamas' Exchange Control Regulations. Listings of this type also demonstrate a long term commitment to the jurisdiction; this can be invaluable when seeking new or long term business relationships. Companies that have taken advantage of BISX's BDR listing facility in the past include Kerzner International and Consolidated Water.

We look forward to the existing market continuing to grow. We wish to focus, however, on future initiatives that BISX is developing. In the medium to long

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term, for example, BISX is seeking growth through the following areas:

1. SMART Fund Listings;

2. Exchange developed Commercial Paper financing solutions; and

3. A Junior listing facility for smaller companies.

SMART Fund Listings

BISX is seeking to deepen our relationships with the Bahamian offshore financial services community to serve as a true partner in developing offerings that allow these providers to offer more value added services to their clients.

One of the fastest growing products being offered to clients in this jurisdiction is SMART Funds, and these provide an ideal product for service providers to partner with BISX for the benefit of their clients.

BISX, in addition to being an Associate Member of the International Organization of Securities Commissions (IOSCO), is currently recognized by the United States' Securities and Exchange Commission as a "Designated Offshore Securities Market", as well as by the United Kingdom's HM Revenue and Customs in the United Kingdom as a "Recognized Stock Exchange". These recognitions were obtained to assist Bahamian service providers with various aspects of their business and provide them with increased avenues of access to those markets. BISX already is pursuing additional international recognitions and will continue to pursue those that will add value and allow Bahamian service providers to increase the level of service provided to their clients.

BISX offers incentivized fee structures specifically for SMART Funds to encourage their listing on the BISX Mutual Funds Listing Facility. As SMART Funds are recognized under the Investment Funds Act, BISX is able to offer customized requirements that allow SMART Funds to be listed on the Exchange.

BISX is able to meet individually with service providers to determine those requirements that serve the needs of the Exchange and any individual SMART Funds template.

Commercial Paper Facility For Financing Solutions

BISX is also placing an emphasis on developing a Commercial Paper facility whereby qualified borrowers would be able to attract unsecured short term financing through the Bahamian Capital Markets. Short Term in this context would be periods from one month to two years. The vision is that borrowers would auction the notes over the Exchange, and once the auction is completed, the notes would be listed and available for trading on the Exchange until their maturity. Borrowers will benefit from a lower cost to acquire capital than traditional bank financing, and lenders would benefit from a freely transferable and liquid debt security.

Commercial Paper also aids in the development of the capital markets as these short term debt instruments form an integral part of the asset allocation strategy of many mutual fund and pension fund managers, while at the same time providing a positive return to company financial managers looking to invest excess cash for short periods of time. The aim in this program is to develop a two-pronged system that can meet the needs of the Government of the Commonwealth of The Bahamas as well as private entities of various sizes.

A Junior Listing Facility for Smaller Companies - SAM Marketplace

BISX is completing work on the creation of a capital market-based approach that allows smaller companies to access the equity markets for capital. The rationale behind this initiative is that Small and Medium sized Entities face greater difficulties accessing capital than larger companies; however,

these companies make up the vast majority of all operating companies and, arguably, are the growth engine for most economies. This new market which will be called SAM or Small Alternative Market is designed to foster the growth and development of small companies, such that they ultimately grow to become larger companies that can graduate to the Main BISX Listing facility.

The basis for the SAM Marketplace is to assist with the development of an ecosystem for entrepreneurship. This facility is not intended for start-up companies, but rather for existing small businesses that need assistance in getting to the next level in their business development. Additionally, it is the intention of the Exchange to ensure that these small companies receive adequate guidance through the assistance of corporate mentors. The aim is not to provide just funding but to provide real assistance in the form of experience and advice that will allow small companies to realize their full potential.

Conclusion

Domestically, BISX is seeking to use the Bahamian Capital Markets to assist with the development of the Bahamian economy. The aim of these initiatives is to find ways to ease the ability of doing business in The Bahamas. The hope is to develop capital market solutions that are scalable so that they add value to large entities investing in The Bahamas, but also to the small firms that will grow into the next generation of BISX listed entities. We believe that every international investor considering investing in The Bahamas should meet with BISX to determine ways that the Exchange can assist them in their business development needs and goals.

On the offshore side, BISX remains a partner to all practitioners in the offshore sector and values their input in developing offshore solutions that allow them to add higher value services to their clients. Two of the main advantages that The Bahamas has over most other offshore jurisdictions are (1) the sovereignty of government and (2) the accessibility of key decision makers. BISX welcomes opportunities to meet with industry practitioners to partner in developing new products that allow the Bahamian Financial Services Sector to flourish. ::

Keith Davies
CEO
The Bahamas International Securities Exchange

Mr. Keith Davies is Chief Executive Officer of The Bahamas International Securities Exchange. Mr. Davies has worked at the forefront of the capital markets in The Bahamas over the last 17 years and has worked within the industry and has held a senior position with the Securities Commission of The Bahamas. Mr. Davies is an Attorney and Counsel-at-Law. He is a Member of the New York State Bar and has a Legal Education Certificate from the Eugene Dupuch Law School. He holds a Juris Doctor from the University of Connecticut School of Law and a Bachelor of Arts Degree from the University of Hartford, Connecticut.

Holland Grant
Acting COO
The Bahamas International Securities Exchange

Mr. Holland Grant is the Acting Chief Operating Officer of The Bahamas International Securities Exchange. During his time at BISX, Mr. Grant has focused attention on capital creation and market transparency amongst other areas. Mr. Grant has previously held positions at Insurance Management Bahamas Ltd. and at The Bahamas Entrepreneurial Venture Fund Ltd. Mr. Grant has a Masters in Business Administration Degree from the Rotman School of Management at the University of Toronto with a focus on Entrepreneurship and Finance and a Bachelor of Commerce Degree from Dalhousie University. He is also a Part-time Lecturer in the School of Business at the College of The Bahamas.

Sound Regulatory and Professional Foundations Have Positioned The Bahamas as a Captive Domicile

By Lesley Thompson

In early 2010 after a very positive meeting with the Bahamas Financial Services Board ("BFSB") and the Insurance Commission of the Bahamas ("ICB") at that year's CICA conference, we were persuaded to look more closely at The Bahamas. New insurance legislation had been passed into law recently and, encouraged by what we were seeing and hearing, we decided to "test the waters" with a new incorporation under the Segregated Accounts Companies Act.

This new captive, Titan Property and Casualty Ltd. SAC ("Titan"), was incorporated in late 2010 and the Bahamas has proven to be a perfect fit for this company. Titan started with 7 Segregated Accounts in 2010 and by the end of 2012 this had grown to 38 Segregated Accounts. Titan's Segregated Accounts provide varying insurance coverages to an extensive mix of clients including Surgeons, Physicians, Manufacturing, Automotive Repair & Maintenance, Market Research, Construction, Hospitals, Defence Contractors and Technology Groups. The business model for this captive has been proven by the impressive growth since its incorporation and we look forward to its continued success.

Encouraged by our experiences with the ICB and other professional service providers we recommended The Bahamas to a client looking to re-domicile its existing captive. This was due to tightening investment guidelines at their custodian, a major US Bank, which impacted the captive and required the client to either change their corporate investment relationship or move their captive to a jurisdiction that complied with the updated and more stringent requirements. The Bahamas was chosen due to its standing and recognition as an offshore country with which the financial institution was willing to provide investment services for Bahamian entities.

The future

During the last few years we have found The Bahamas to be a conducive domicile for new incorporations and we have been impressed with all aspects of working with the regulatory departments and Bahamian service providers. The ICB has been responsive to our requests and has been willing to work with us to find solutions to matters and questions that have arisen. Similarly, the Bahamian service providers that Atlas works with have been highly professional and very knowledgeable and have contributed to the success of the captives under our management.

Based upon the experience we have had so far, we believe there will be continued growth within The Bahamas and are looking forward to being part of it. We believe that within the global Captive Insurance Industry, The Bahamas is well placed to become a leading domicile. ::

Lesley Thompson

Senior Account Manager,
Atlas Insurance Management

Lesley Thompson holds a Bachelor of Arts degree in Accounting and Finance from Manchester Metropolitan University and has been an Associate Member of the Chartered Institute of Management Accountants (ACMA) since 1997. She also holds the Associate in Captive Insurance (ACI) and Chartered Global Management Accountant (CGMA) designations. Ms. Thompson has been working in the captive insurance industry since 2000, and she joined Atlas Insurance Management in 2008. Atlas is a licenced Insurance Manager in eight domiciles, with head offices located in the Cayman Islands and a US office in Charlotte, North Carolina. It was formed and licenced as an Insurance Manager in The Bahamas in 2002, and has almost 150 captive insurers and cells under management across all domiciles.

Ms. Thompson is experienced in all stages of the life cycle of captives, from incorporation to liquidation and also has extensive knowledge of all types of captives including but not limited to Single Parent, Association, Group, Agency, Life, Rent-a-Captive, Segregated Portfolio Companies and Special Purpose Vehicles across multiple offshore and onshore domiciles.

Opportunity Knocks - Bahamas Readies for Oil Exploration

The Bahamas Petroleum Company plc. (BPC) was formed in 2005 as an oil and gas exploration company seeking to prove the existence of commercial volumes of oil in Bahamian waters. It holds 100%-owned offshore exploration licences covering some 4 million acres (16,000 sq. km) exclusively focused on the Commonwealth of The Bahamas, with offices in Nassau and the Isle of Man, UK. The exploration licences were granted in 2007 and the shares of the company became publicly traded in the UK on the London Stock Exchange (AIM Registry) in 2008. A major fund-raising in 2011 underpinned a significant expansion of the company's technical activities with, today, cumulative capital investment amounting to in excess of $50 million. The Bahamas Government confirmed in 2013 that BPC can undertake exploratory drilling under the protection of strengthened and modernised regulations, currently nearing completion.

"We are closer now than ever to realising our goal of exploring the hydrocarbon potential of The Bahamas and look forward to the near-term future with excitement and confidence," Simon Potter, BPC's Chief Executive Officer (Annual Report - www.bpcplc.com)

Gateway BFR sat down with the CEO to get some answers about the state of play on the exploratory drilling.

GATEWAY BFR: Bottom line – when will we see the first well?

SP: We have demonstrated a dramatic reduction in technical risk through the acquisition and interpretation of modern data and are committed to conducting an environmentally responsible exploration drilling programme in the near future. Our first exploratory well is likely to be in the second half of 2014.

GATEWAY BFR: Were these "technical risks" a huge factor in the decision-making process?

SP: Since 2005 BPC has worked continually to reinforce its view of prospectivity with an extensive programme of risk reduction activity. Technology has been leveraged through the acquisition of an extensive, modern 3D seismic database utilising a type of survey conducted for the first time in Bahamian waters which, when combined with BPC's unique access to historic data, provides a significant competitive edge in the pursuit of success. The support facilities available to BPC from such local industrial areas as Grand Bahama and the Gulf of Mexico offer unique and competitive access to contractors and suppliers realising significant cost advantages.

GATEWAY BFR: We have to ask – WHY The Bahamas?

SP: Exploring for energy in the territorial waters of The Bahamas continues to be attractive for BPC and remains its sole focus. We have examined opportunities elsewhere but quickly concluded that the nature of the prospectivity in The

From left to right: Joy Jibrilu Director, Bahamas Investment Authority; Simon Potter; Hon. Khaalis Rolle MP, Minister of State, Investments; Jobeth Coleby, BPC Inhouse Counsel

Bahamas, its low relative risk, the scale of the structures, our unique access to data and understanding, does not merit us incurring high entry costs elsewhere.

GATEWAY BFR: With the long-awaited decision on exploratory drilling earlier this year, what are the next steps?

SP: This last year, 2012, was a busy one for Bahamas Petroleum Company. We worked hard on the environmental and technical fronts to progress towards the ultimate goal of drilling an exploration well. In support of drilling preparedness, the Environmental Impact Assessment (EIA) has been made a public document, through posting on their website by the Bahamas Environment, Science and Technology Commission (BEST), thus being open to review, scrutiny and comment by all agencies and the people of The Bahamas. The Government has made clear its mandate for the Company to commence exploration drilling once modernised and strengthened environmental regulations, believed to be in an advanced state, are adopted by Parliament. Compliance with such an enhanced level of standards was anticipated in the EIA submitted to the Government. Work now continues on the related Environmental Management Plan (EMP) and in particular the generation of new environmental sensitivity maps for the region.

The completion of these plans and the availability of such an extensive, up-to-date database underpin the commitment of the company to conducting an environmentally responsible and safe exploration drilling programme in the near future. We are confident that our practices will comply with international standards and ensure we are able to maintain and extend our licence to operate in all the wider communities in which we participate.

Thus potential well locations have been identified, well design activities have commenced and initial planning is underway for the start of drilling. We are technically ready to safely execute the first exploratory well in Bahamian petroleum exploration licences in 25 years.

GATEWAY BFR: What will be the cost of this next phase to the Government of The Bahamas?

SP: Such a drilling programme is at no financial risk or cost to the Government. Rather, in the event of success, a substantial revenue stream will be generated for the country from day one of production. In addition, new employment opportunities will be created with a requirement for new vocational training and skills development for local firms to be well represented in this new industrial sector.

GATEWAY BFR: Will the people of The Bahamas be able to participate in this venture?

SP: As a part of the broader set of opportunities, Bahamas Petroleum Company is looking to list on the Bahamas International Securities Exchange (BISX) to give the people of The Bahamas the opportunity to take ownership in the company through the purchase of its shares. We aren't looking to raise capital in The Bahamas; just to give those Bahamians who wish to share in the capital growth of the company the opportunity to invest. We would do this by the issuance of a Bahamian Depositary Receipt (BDR). A BDR is a type of security denominated in Bahamian dollars which permits Bahamian investors to acquire interests in non-Bahamian securities without additional expenses. It has to be approved by The Central Bank of The Bahamas and The Securities Commission. The BDRs are priced based on the value of the underlying shares on their home exchange (i.e. the London Stock Exchange).

With such a range of opportunities for investors, the people and the Government of The Bahamas - and all indications continuing to suggest the presence of oilfields of huge potential - the company is committed to fully exploring the treasures contained in the waters of The Bahamas. ::

Simon Potter
Chief Executive Officer
Bahamas Petroleum
Company PLC

Simon Potter, qualified as a geologist with an M.Sc. in Management Science, has over 30 years oil and gas industry and mining sector experience. From the Zambian Copperbelt to a 20-year career with BP he has held executive roles in companies managing oil and gas exploration, development and production; gas processing, sales and transport; LNG manufacture, marketing and contracting in Europe, Russia, America, Africa and Australasia.

On leaving BP, having helped create TNK-BP, he took up the role of CEO at Hardman Resources where he oversaw growth of the AIM and ASX listed Company into an oil producer and considerable exploration success ahead of executing a corporate sale to Tullow Oil. After running his own consultancy he joined Arrow Energy International as CEO and following the sale of Arrow Energy to Shell and PetroChina launched their international assets onto the ASX as the separately listed Dart Energy. He was appointed Chief Executive Officer at BCP on 17 October 2011.

Social Media Strategy & the Ultra-High Net Worth (UHNW) Market

By David Friedman

From bankers to bee-keepers everyone these days is using social media to enhance client interaction. But when it comes to private wealth managers - particularly those focused on ultra high net worth individuals (defined as those with assets of $30M and above) - the social media buzz can prove a distraction, or even damaging, if not adopted in the correct way.

Digital Revolution Impacting Wealth Management Operations/Infrastructure vs. Marketing/Sales

Technology and the digital revolution have impacted wealth management in two important ways. From an infrastructure and operations perspective, data aggregation platforms and new technologies are driving unique ways to analyze and present portfolio performance.

But where social media is having its primary impact is in marketing and sales, particularly in regard to new client acquisition and best practices in business development.

The Red Herring: Social Media and the UHNW Market

Presentations on social media and the private wealth management space are the same all around. They all start out with a video that was compiled by the speaker's assistant to some hip background music where the data and statistics surrounding the rise of Facebook and Twitter and its size and growth rates are astonishing.

Last year, for example, I was speaking to wealth managers at a conference focused on the UHNW space. The previous speaker gave a Power Point presentation charting Facebook and Twitter growth projections in time with some hip background music. I followed that presentation by asking how many advisors in the room were focused on the UHNW market, to which the majority of the room raised their hands. I said, "Good, so everything you just heard will be meaningless for you because your UHNW prospects are not on Facebook or LinkedIn." I then proceeded to explain that the only UHNW individuals that are on Facebook or LinkedIn are the hedge fund managers, private equity fund managers and the so called 'digerati'. However, the UHNW digerati are unlikely to connect with you on Facebook or on LinkedIn unless you already have a relationship. The reality is that ultra wealthy families are trying everything they can to minimize their digital and social media footprint.

To understand the limited nature of using the growth of social media data for those seeking to connect with the UHNW market, allow me to characterize the landscape:

- Facebook has pioneered what they call the "social graph"
- LinkedIn has positioned itself as the "professional graph"
- Twitter has carved out the "interest graph"
- Four Square and other geolocation technologies are claiming the "location graph"
- American Express with its vast database of client data is referring to itself as the "spending graph"

What is missing is the "wealth graph" that allows the qualification and segmentation by net worth and liquidity, a factor that is critical for reaching the right target market.

Why most Social & Relationship mapping tools have limited value

There has been a proliferation of social mapping technologies and companies seeking to harness the power of social networks. But, without the "wealth graph" to overlay these social maps and networks, to qualify someone financially, these platforms and tools will have limited, if any, value. If you are a UHNW private banker, it does not matter how many relationships you map, unless you can qualify them financially.

Creating a Social Media Community around Specific Topics using LinkedIn

For example, a large private bank recently pursued a strategy to leverage a partnership with LinkedIn as part of a new digital media marketing strategy. The concept was compelling: create a community around a specific topic and leverage LinkedIn as the platform to do this. For the bank involved this represented a prime opportunity to interact with a community around a specific topic and position their brand around this topic. However, although they seemed to be able to gather significant amounts of data on the individuals that joined that community, it was meaningless from a marketing and sales perspective since they had no way to qualify the net worth or liquidity of the digital members.

If you are a bank that has products based on the complexity of a person's wealth, not knowing their net worth or liquidity makes it almost impossible to have the right product offering or content. This means that any products or services you offer will be a shot in the dark. The transition from finding a client in a LinkedIn group, to selling products to them, would be extremely challenging.

This raises another important question: Is there such a thing as an UHNW digital strategy? I would say, not yet, but there may be in the future.

Should everyone have a compelling LinkedIn page and great website? Absolutely. Potential clients may review these platforms but don't expect them to connect through them.

If you have great content, then by all means, these digital channels should be viewed as additional ways to distribute great content. But the key is that the content has to be great. Nominal content will hurt you more than help. And don't bother with a corporate Twitter account if you are only going to update it every three months.

Having compelling content is not only strategic, but it also demands significant time, effort and creativity. In other words, most firms will need to hire someone just to maintain this - it can't be your summer intern. There are several new firms tackling this space such as Contently, which offers a content creation platform allowing brands to connect with freelance journalists for quality content. Content marketing is certainly the future.

What About Digital and Social Media Strategies Aimed at The Next Generation of Your PWM Clients

Another key question that arises for financial advisors around their digital and social media strategy is around cultivating trust with the next generation of their existing clients, most of whom use social media platforms.

If you are an advisor at a private wealth management firm and have developed a trusted relationship with your client, assuming wealth is going to be passed down to the next generation, you will want to develop relationships with the younger members of the family. This will not be easy. Attempts at an online relationship can come across as a mild form of stalking. Unless you have become so close to the family that you are considered a friend, the children and grandchildren will most likely never connect with you on Facebook. Often, children view advisors as their parents' relationship. The statistics show that following death and divorce, the likelihood of the wife or children signing a new advisor is extremely high.

"If you have great content, then by all means, these digital channels should be viewed as additional ways to distribute great content. But the key is that the content has to be great. Nominal content will hurt you more than help."

So, while Facebook has emerged as the new social graph and redefining the way the world connects, it's not going to impact the way you develop new clients in the private wealth management space. Facebook generally is not going to help you cultivate relationships with the next generation of your client's children either.

Where you may have a chance is through LinkedIn. It is highly possible that your client's children and grandchildren will reach out on LinkedIn, as the professional graph, upon graduation from college or business school to assess and see what potential introductions you can make for them. Most likely, you should not expect Gen 2 and 3 to be following your Twitter content on portfolio allocations or new products either. If you offer something compelling around philanthropy

for example, you may be able to engage them through their passions.

How Digital Social Networks Can be Helpful for Growing Your Business

One way to use social media to your advantage is through referrals from Centres of Influence like accountants or attorneys – who usually are on LinkedIn. Connecting with them on LinkedIn can be a way to grow your referral base. At Wealth-X we are experimenting with this type thought process as we do have the connections or "last mile" between service providers and their UHNW clients which would then render LinkedIn useful from a business development perspective.

However, the key assumption underlying all these strategies is the truism that content is king. So, if you have great content, it is a great way for an accountant or attorney who is following you on LinkedIn to see this and potentially forward it to their client. It all revolves around having great content - which in this age of free data has become the exception, not the rule.

In conclusion, while every firm should invest in having a quality LinkedIn page and try to leverage it for professional connections, social media sites like Facebook will have a limited impact on new client acquisition in the financial services space. If you want to have a great social and digital media strategy, focus on compelling content that connects with your existing and future clients. But, have a realistic assessment of the fact that most of your UHNW clients are not on these platforms, and connecting with their children must be navigated with care, if at all.

David Friedman
President, Wealth-X

David Friedman is the Co-Founder and President of Wealth-X, the world's leading provider of wealth intelligence for luxury brands, private banks and not-for-profit organisations. He is a noted author and speaker on UHNW business development practices and his opinions on a broad range of topics involving the ultra-wealthy have been featured in the Wall Street Journal, New York Times, The Guardian, Investment News and The Telegraph. He is a frequent contributor to Private Wealth Magazine and has written for a variety of magazines and publications on UHNW market and business development strategies.

Prior to co-founding Wealth-X, Mr. Friedman spent several years as Managing Director at CB Richard Ellis, advising global Fortune 500 companies on their location strategies as well as sovereign wealth funds in the Middle East, Asia and Latin America on real estate development projects related to economic growth strategies. His clientele portfolio included the Saudi Royal Family, Kuwait Finance House, the Government of Puerto Rico as well as the Malaysian Sovereign Wealth Fund. Before joining CBRE, David was an entrepreneur in Silicon Valley where he founded several start-ups across a variety of industries, including automotive ecommerce with co-founder Michael Yang, founder of MySimon, as well as a mobile text giving enterprise and ventures in the property derivatives space. Mr. Friedman started his career at Oxford Analytica, the leading provider of geopolitical intelligence based in Oxford, England, which was founded by his mentor Dr. David Young, former special assistant to Kissinger during the Nixon Administration.

Mr. Friedman has a Masters Degree in Philosophical Theology and Ethics from Yale Divinity School as well as a political philosophy degree from Wheaton College where he graduated Magna Cum Laude.

the talent of our future

By Medgar P. Bonimy & Amy A. Titus

Do workplaces have to change to accommodate the needs and interest of the next generation?

The world is transforming every day. Similar to when organizations were preparing for the unknowns with the year change from 1999 to 2000, organizations today must prepare for the sweeping generational changes that are creating a reverse in representation in the work force.

The present-day workforce is making history by having a mixture of four generational groups working together as one unit. According to Ken Blanchard Companies (2009), people born between two generations are referred to as the sandwiched generation, or cuspers, born between 1940-1964 (Silents and Boomers), 1959-1969 (Boomers and Gen Xers), and 1970-1994 (Gen Xers and Gen Yers—also known as the Millennials).

"An organization needs to respond by providing all three groups opportunities to develop, build their careers and mentor each other. This will help with retention and break down the barriers that exist."

The following data is based on the most frequently encountered beginning and ending points for each generation (U. S. Census Bureau).

Generation	Years	Population
The Silents	1925-1945	45 million
Baby Boomers	1946-1964	80 million
Gen Xers	1965-1976	49.1 million
Gen Yers	1977-1994	73.5 million

The generations labeled cuspers carry many similarities of the preceding and succeeding generation and are considered forerunners, pacesetters, and trendsetters. They easily adapt to the differences of two generations and make good managers, seeing both points of view. In addition, they provide a voice for those who are not heard. For example, cuspers born in 1940-1945 learned the hard lessons from their parents who had lived through the Great Depression and World War II. As a sandwiched generation, they were the trendsetters of Baby Boomers, who take credit for bringing more equality into the workplace.

Using the above research would not be a fair classification of an individual within a small group. Management should use various approaches to assess an individual or a group of employees' generational traits. One recommended approach is to determine the year of birth or age as a potential indicator of likes and dislikes. Management then can confirm its analysis and, if correct, develop a plan on how to work with the individual or re-evaluate the individual using various personality assessments.

Deloitte's generational research (2010, 2011) identifies generational distinctions and highlights that these distinctions can provide a useful framework for building awareness and understanding of the different viewpoints, attitudes, needs, and expectations among generations. In addition, these insights yield implications for future change in the workplace. Organizations can gain a competitive advantage in terms of higher productivity and human performance. But how does this occur? So many times we hear the baby boomers talking about the Generation Y and making disparaging remarks about their work commitment. Then Gen Y says that the baby boomers do not understand them. The Generation X looks up and sees the baby boomers filling the leadership roles and not retiring as planned, and see the Gen Yers closing in on them from behind, seeking the same leadership roles.

In order to build a trusting work relationship among all three generations, it is important to keep three specifics in mind:

• The millennials seek constant growth, feedback and recognition. They also seek meaning and want to feel they are making an impact.

• Generation X is in the sandwich position and they also are looking for career opportunities.

• Baby boomers value hard work and do not expect change to occur quickly. They get upset with the millennials using their technology instead of using the telephone or showing up to meetings in person.

An organization needs to respond by providing all three groups opportunities to develop, build their careers and mentor each other. This will help with retention and break down the barriers that exist.

It may appear that there are so many differences the result could create conflict among the various generational mixes: informality versus formality, face time versus telecommuting, time spent on the job versus quality of the output, young advancement versus old advancement, and so on. However, according to Deals research, all generations have similar values and family tops the list for all the generations. It was also noted that everyone wants respect but the definition of respect

is different for each generation. The younger generation wants to feel as if they belong to the group. They want to be heard and given an opportunity to have the spotlight. The older generation also want their opinion to be weighed the same, as they deserve it to be and nothing less. All the generations expect that their leaders are trustworthy. Another common attribute is that no one really likes change. Both older and younger generations state that they are uncomfortable with change because they all feel that they would stand to gain or lose if change occurs. Ungrounded perceptions are rampant and are often heard when some say that the older generation is much more loyal to their organizations than the younger generation. Research tells the facts – research states that loyalty depends on context. This means that loyalty depends on the level of an individual in the organization, which dictates the amount of hours to be spent on the job. It should be noted that the higher the level the more hours worked and it is not necessarily based on the age of the individual. Research also shows that everyone wants to learn. One might think only the younger generation wants to be training to be able to accomplish their tasks each day, but the research stated that the older generation wants the same learning and development opportunities. Lastly, everyone likes feedback, it was noted that both the old and young generation want to know how he or she can improve on his or her weaknesses to become a better individual in the workforce. Based on the above, organizations need to re-group and develop a plan that will allow them to maximize on having the mixture of all the different generations in the work force at the same time.

"Research also shows that everyone wants to learn. One might think only the younger generation wants to be training to be able to accomplish their tasks each day, but the research stated that the older generation wants the same learning and development opportunities"

In order to ensure harmony among the intergenerational workforce, and to be better able to respond to any potential generational clashes, management should be aware of and understand the different attitudes and expectation of the workforce. Organizations can implement best practices such as good communication and flexible leadership styles that may have a positive impact on the productivity level of the workforce and may meet the expectations and needs of individuals as well as the organization as a whole.

According to Ron Zemke, Claire Raines, and Bob Filipczak, authors of Generations at Work, the best companies to work for must be sensitive to the unique difference and needs of each generation. These companies must be able to provide what individuals are looking for in order to attract and retain the top talent. They must be able, also, to leverage the diverse backgrounds, experiences, and skills of their employees and use these differences to maximize the organization's overall mission and goals. "Overcommunication" and "difference deployment" were highlighted as two keys to creating a successful workforce.

According to the authors, the following five operating principles were determined to be critical in the workplace for a few organizations that successfully tapped into the strengths of their intergenerational workforce:

Accommodate employee difference by treating the employees as they do their customers. Organization should work on identifying what make their employees tick and work to ensure that they can bridge the gap.

Create workplace choices to allow staff to have flexibility relative to how they achieve the objective of servicing their customers.

Operate from a sophisticated management style. Given that leaders and managers use different styles such as non-fixed supervisory style, key would be variation of leadership style depending on the situation, the use of more personal power and less position power, knowing when and how to adjust the rules, more thoughtful team allocations, a balanced concern for tasks and for people, and understanding the elements of trust.

Respect competence and initiative by ensuring that potential individuals are a good match for the job before hiring.

To nourish retention organizations should invest the necessary resources and initiatives to ensure that enough training and one-to-one coaching and training opportunities are available to all generations.

In summary, an organization does not really have to change to accommodate the next generation but must take the necessary steps to get ready for the major change in the workforce representation. It should access its workforce composition to determine the generational mix within its operation. It should also develop a plan tailored to address each generation's concerns. Succession planning, mentoring programmes or cross-level trainings are initiatives that would provide the generational mix with various learning and development opportunities being sought.

Organizations, therefore, need to take this time to understand their generational mix to be able to maximize on the full potential of each generation and gain the competitive advantage in the talent marketplace.

Medgar P. Bonimy
Audit Manager, Deloitte & Touche

Medgar P. Bonimy is an Audit Manager in the Audit and Enterprise Risk Service department at Deloitte & Touche, Bahamas ("Deloitte"). She has been in the public accounting profession for over 10 years and has experience in the Financial Services, Gaming, and Consumer Business industries. She also works along with the Learning Committee at Deloitte in the capacity of Coordinator where she facilitates various training programs in addition to organizing the annual training calendar. She is pursuing her Master degree in Human Resource Management at Nova Southeastern University. She is an avid Methodist in The Bahamas Conference of Methodist Churches where she serves as a Finance Committee member. Her community service includes tutoring students in preparation for the Bahamas Junior Certificate as well as the Bahamas General Certificate of Secondary Education.

Amy A. Titus
Director, Human Capital Talent,
Performance and Rewards Group, Deloitte Consulting, LLP

Amy Titus is responsible for bringing talent, learning, organization improvement and change solutions to her clients. She brings considerable industry depth, thought leadership and international recognition to Deloitte's Clients, given her twenty-five years of global experience. Before joining Deloitte, she held senior roles in BearingPoint, FifthThird Bank and Citigroup spanning the full range of talent functions including strategy, learning and leadership development, succession planning, talent management, staffing, diversity, communications and mergers and acquisitions. Prior to that, she founded and led a global management consulting firm that had offices in Washington, DC, Geneva, Switzerland and Cairo, Egypt. During that period, she won numerous awards for her work that spanned over twenty countries. She has written numerous articles, regularly speaks at meetings and conferences and produced one of the most popular handbooks entitled "Maximizing Rotational Assignments" for The Conference Board. She holds a Masters Degree in Instructional Systems from the University of Minnesota and a Doctoral Degree in Adult Education from Teachers College, Columbia University.

The Financial Services Industry in The Bahamas

Views from across the generations

GATEWAY was delighted to have the opportunity to interview two young industry professionals, and to get their perspective on the financial services industry today. Sofia Papageorge, Associate at Delaney Partners and Damian Forbes, Sr. Investment & Portfolio Manager at Deltec Bank & Trust spoke to us enthusiastically about meeting the evolving needs of the Next Generation clients and whether the Next Generation of service providers bring a whole new perspective in terms of innovation and sustaining the competitive edge.

SOFIA J. PAPAGEORGE

"In my day–to-day practice, I make it a priority to continue to convey everything we, as a nation, have accomplished"

GATEWAY BFR: BFSB's "Vision" for the financial services industry (FSI) speaks to the traditional development of products and services but also focuses on sustainability. As a young industry professional, how much focus do you place on ensuring that this sector will be one that endures? In your day-to-day practice, is this even on your "radar"?

SP: The ability to grow the industry and maintain The Bahamas as a premier financial services jurisdiction cannot be successful if it is solely a part of a single organization's vision of the future. Sustainability must be a part of the industry's view of the future. Put simply, it is a team effort. I consider myself to be a part of 'Team Bahamas'. Businesses have an interest in generating value in the long term. The cost of setting up a business is expensive and time consuming. Therefore, the ability to demonstrate to prospective investors and clients that their investment of time and capital in the jurisdiction will benefit not only their short-term goals but also their long-term goals is key. In my day-to-day practice, I make it a priority to continue to convey everything we, as a nation, have accomplished, discuss what we are doing to continue to grow and be at the forefront of innovation and world class service and, when the opportunity is given, participate in dialogue between the private and public sector through organizations such as the Bahamas Financial Services Board.

GATEWAY BFR: As we celebrate our 40th year of Bahamian Independence, tell us where you see the industry now and, more importantly, in the next 20 years.

SP: Over the years, The Bahamas has successfully weathered its fair share of storms, has demonstrated its ability to endure the test of time and today, has earned its position as a leading financial services jurisdiction. Internationally, "The Bahamas" brand is well-known and well-respected. Locally, the industry is a leading sector in terms of providing employment and revenue to the Bahamian government.

In the future, The Bahamas will have to continue to address the challenges that face all off-shore financial centers, including:

(a) maintaining trust in the industry and the global economy;
(b) evolving to address global developments, e.g. FATCA;
(c) balancing excessive regulation with transparency; and
(d) remaining cost-effective without diluting the quality of products and services.

I really do believe that The Bahamas has a collection of experienced industry veterans, a group of bright young professionals and stable governance, all committed to the sustainability of the industry – an arsenal well-equipped for fighting the challenges of the future.

GATEWAY BFR: Do you think the FSI is a source of national pride? Do young industry practitioners and professionals hold the industry in high esteem – or work towards ensuring this place of honour?

SP: While attending university abroad, I and many of my Bahamian classmates, many of whom are now young professionals in the industry, were often asked by our non-Bahamian classmates whether we would return to The Bahamas or work abroad. Our

consistent response was that we intended to return to The Bahamas. And, why wouldn't we? Our predecessors worked long and hard to ensure that our financial services industry was not branded, like many other off-shore financial centers, as a "sunny place for shady people" by adhering to strict anti-money laundering standards and doing business only with high-quality clients. Further, our predecessors have always encouraged positive promotion of the industry and aimed to ensure that The Bahamas' regulatory and legislative regime for financial services was appropriately aligned with international best practices.

Therefore, many Bahamian young professionals, including myself, proudly consider themselves to be Bahamas-brand Ambassadors and work towards ensuring the financial services industry maintains its high standards. For us, the promotion of The Bahamas' financial services industry and The Bahamas generally isn't a job that we go to from 9 to 5, and then go home. It is an extension of ourselves and our country – two things which we believe in and value.

SOFIA J. PAPAGEORGE is an Associate with law firm Delaney Partners. Her practice focuses on securities, investment funds, banking, financial services law & regulation and commercial matters. She has acted in various aspects of commercial transactions, including financial regulatory, corporate, trust and estates, immigration, and employment matters. Prior to joining Delaney Partners in 2013, Ms. Papageorge served as an Associate with Klonaris & Co. following stints at that law firm as an intern and Pupil. While pursuing studies in the UK she also served as a Court Marshall at Cambridge Crown Court. She was Admitted as a Barrister of Lincoln's Inn for England & Wales in 2010 and to the Bahamas Bar in 2011. She received her LLB (Hons-First Class) from the University of Buckingham (UK) and an LLM (Corporate & Commercial Law) from the University of Cambridge (UK). Ms. Papageorge is a member of various working groups of the Bahamas Financial Services Board and has assisted with the private sector review of the Securities Industry Act, 2011 and the Securities Industry Regulations, 2012.

DAMIAN FORBES

"No matter how our world and industry advances, at the heart of it a truth that remains is that our business is one of trust and understanding"

GATEWAY BFR: We would like to have your views too on some key steps necessary to sustain the financial services industry in The Bahamas. What should we be doing?

DF: David Ogilvy once said "If each of us hires people smaller than ourselves, we shall become a company of midgets. But if each of us hires people bigger than ourselves, we shall become a company of giants." One of the underlying messages of that quote can be applied to not only companies but our industry as a whole, as it speaks to growth, competitiveness, and sustainability through the building and maintenance of human capital and talent. In my day-to-day worklife, I frequently remind myself of this. Throughout my career, I have had the benefit of knowing a few individuals who have positively impacted my development through contributions of their time, knowledge, and experience; I have also had the benefit of knowing individuals who were more concerned with using others' time and energy singularly to their own advantage. This has allowed me the good fortune to distinguish between the two. While there is a give and take in all that we do, we must be mindful of the balance. It is the former that builds companies and industries, that imparts wisdom and growth, and ensures continued competitiveness and sustainability through the development of our people and skills throughout the ranks. By endeavouring to provide genuine opportunity and through the nurturing of talent, we help to ensure that our industry endures.

GATEWAY BFR: We suspect the changes that everyone references when talking about evolution and the new generation of financial services are not so drastic as portrayed by the "New Year's" images of the decrepit graybeard and the spanking new baby – and that there must be traditional practices tried and proven that should not be tossed out. How do you see integrating the time-honoured methods of servicing clients with the innovation that is necessary to stay ahead of the game?

DF: From the outset of my career, a common thread that has consistently run through it – one that has been passed on to me – is the importance of the relationship – nurturing, acquiring, building, and maintaining it. This has come in many different quips and idioms, "Ours is a relationship business," "The customer is key," and so on. No matter how our world and industry advances, at the heart of it a truth that remains is that our business is one of trust and understanding – understanding the makeup, needs, and wishes of our clients, and their trusting in us to do what is right by them in accordance with this understanding. What is paramount is that with the awareness of what our clients want, we can then continuously anticipate and tailor the appropriate innovations in our industry to our clients' needs so that we become and remain leading service providers in our relationships.

GATEWAY BFR: What would be your words of wisdom to contemporaries entering the sector?

DF: Realize that the world is a much more global and interconnected place than it was even in the recent past. That the speed with which information travels and the manner in which it is communicated today dramatically decreases the reaction time to new developments and increases the sheer number of datapoints and subsequent noise that is incorporated in everyday markets. The corollary of these

observations is twofold. Firstly, one should appreciate that from an informational standpoint you can effectively operate from almost anywhere in the world today and are not necessarily disadvantaged being located outside of a large, metropolitan financial centre. Secondly, one should also realize that with this globalization and interconnectedness comes the obligation to compete both inside your region and outside of it. You should not be satisfied with simply outperforming in your own local market or industry; you should compare and compete with your counterparts on a global basis and strive to ensure that your brand or product measures up with the best that the world has to offer.

DAMIAN FORBES is the Senior Investment and Portfolio Manager at Deltec Bank & Trust Limited, a global private bank and multi-strategy wealth manager. He helps to direct Deltec's investment activities in the alternative space, heads up the research effort on potential investments, and co-manages the bank's internal equity fund products. Mr. Forbes is a member of Deltec's executive investment team, which has responsibility for firm-wide investment strategy, analysis, and allocation as well as oversight of discretionary assets under management. The investment team also has responsibility for the advisory of ultra high net worth investment portfolios spanning both traditional and alternative strategies including hedge funds, private equity, and real assets. In addition, Mr. Forbes oversees the discretionary and execution trading of the bank's portfolios.

Prior to Deltec, Mr. Forbes served as Vice President of Investment Banking and Investment Management at Stirling Partners, a merchant bank and family office, with responsibility for principal investments and corporate advisory. Prior to this, he was a biotechnology and healthcare equity research specialist at Deutsche Bank and then Citigroup in New York.

He has also served as a research analyst and trader at Foyil Asset Management, a global alternative investment fund manager.

He currently is a director and member of the investment committee of two hedge funds – a European equity long/short fund and a global healthcare equity long/short fund. A National Merit Scholar, Mr. Forbes holds a Bachelor of Arts degree in economics from Yale University and an MBA with an emphasis in finance, economics, and international business from NYU's Stern School of Business. He is a CFA charterholder.

After interviewing the "younger" generation on evolving changes that require strategic differentiation on the part of service providers, our GATEWAY Editor spoke to industry veteran Clifford Culmer of BDO to get a perspective on the industry of "yesterday".

CLIFFORD CULMER

"When the BFSB was formed in 1998 it amalgamated all financial services promotional efforts and marketed The Bahamas as a premier financial services hub."

GATEWAY BFR: As a seasoned expert within the financial services industry, you have seen varied changes in the way the industry has been regulated and promoted. Our readers would love to have a nostalgic look at the industry from the eyes of those that have been in the trenches, so to speak. What do you regard as some of the highlights?

CC: Over the past 40 years we have seen the creation of various regulatory bodies that have assisted in the modernization of the financial services industry.

In the 1970s we had the formation of the Bahamas Institute of Chartered Accountants, of which I was a founding member, and it became the regulator for the accounting industry under the Public Accountants Act of 1991. Also in the 1970s, The Bahamas saw the creation of the Central Bank which regulates the banking industry, and maintains monetary stability and also the formation of the Bahamas Bar Association to regulate the legal profession.

In the 1990s the Securities Commission came on stream, providing for the supervision and regulation of the activities of the investment funds, securities and capital markets. We also introduced a new companies Act in 1992. In the earlier part of this century the Insurance Commission was created to regulate insurance licensees.

In 2012 the Ministry of Financial Services was restored. So now we have a Government agency with a mandate to promote the financial services sector of The Bahamas - in conjunction with the Bahamas Financial Services Board. This shows government's commitment to assist in growing the financial services sector. As a member firm of an international accounting network, I have also promoted The Bahamas as a centre for financial services.

GATEWAY BFR: Is there one development within the industry that you saw as the turning point?

CC: In my opinion there are two developments particularly worthy of mention.

Firstly, the creation of the Bahamas Financial Services Board (BFSB) was a turning point. Before BSFB, the sub-industries of the financial services sector - banking, securities, accounting and insurance etc - were promoting themselves individually. When the BFSB was formed in 1998 it amalgamated all financial services promotional efforts and marketed The Bahamas as a premier financial services hub. With the advent of the BFSB, where I was director for four years, there has been a more concerted effort in promotion of The Bahamas' financial services sector in its entirety.

Secondly, In terms of regulations, The Organization for Economic Co-operation and Development (OECD)/ FATF blacklisting of The Bahamas in 2000 was a major turning point in the way financial services business has been conducted ever since. The increased scrutiny heralded by the blacklisting led to an increase in corporate governance and compliance through the Know Your Customer mandates. That to me was also a major turning point; admittedly, the financial services business was conducted in a less constrained manner, particularly as it pertained to customer information. After the OECD/FATF initiatives, The Bahamas did see some of its financial service companies leave the country, which negatively impacted the contribution to GDP of this sector.

The Bahamas has signed TIEAs with several countries in the ensuing years, and this has resulted in even more compliance duties.

GATEWAY BFR: Although the level of the sector's contribution has been sustained over the years, there has not been as large a growth as anticipated. Do you agree with some of the pundits that financial services can expand to rival tourism as an economic contributor?

CC: In order to properly diversify the economy it would be optimal for financial services to rival tourism as an economic contributor, but tourism traditionally has had more attention, more promotion and more funding, and this has given it the edge over financial services. The introduction of Baha Mar in late 2014 will probably solidify tourism's lead over financial services in the near term. The resort has been projected to increase GDP by nearly $800 million per year, which would equate to an additional 10%, taking into account an $8 billion GDP figure, and if these predictions come to fruition, the introduction of the resort will result in a net increase in GDP over financial services. The financial services sector will require something on that magnitude to rival tourism. Tourism's contribution to GDP is currently more than double the size of financial services sector. In order to rival tourism, the financial services industry requires much more substance; we need more mutual and hedge funds, more fund administrators, more insurance companies, and more banks to rival tourism's contribution to GDP.

GATEWAY BFR: We hear a lot about "Client Evolution" - What do you see as the differences between the client of 25 years ago and the client of today?

CC: With the advent of instant electronic communications, through smart phones and other devices, the client of today has become more demanding than the client of 25 years ago when business was conducted with less technology. Even when you are away from the office you can get a communiqué from your client on your smart phone and they - knowing that you have the device - expect responses even after hours. There was far less interaction with the client 25 years ago. The client of today is also savvier; they compare the level of service with our competitors more efficiently with technology, and they are more informed as a result. For example, it is far easier today for a client to find out about the advantages and disadvantages of using a jurisdiction such as The Bahamas with a click of the mouse on the internet. Information travels faster today than it did 25 years ago.

Of course, on the other side of the coin, we as financial industry professionals demand more of the client - e.g. in terms of compliance and know your customer rules - due to increased regulation. ::

GEORGE CLIFFORD CULMER, FCA. Mr. Clifford Culmer is a pioneering Bahamian in the accountancy profession. He qualified as a Chartered Accountant in 1966 and became the first Bahamian member of the Institute of Chartered Accountants in England and Wales. He is now a Fellow (FCA) of that Institute, a member of the Chartered Institute of Taxation in London, and a fellow of the Institute of Directors in London.

Mr. Culmer is a founding member of the Bahamas Institute of Chartered Accountants (BICA) which was established in 1971, and served as the second President. Mr. Culmer is Senior Partner of BDO Bahamas, a firm he founded as Clifford Culmer & Co. in 1977, which is now celebrating 35 years in existence. The firm specializes in performing audits for a number of industries, including financial services and governmental corporations. BDO Bahamas is also known for advisory services, namely corporate restructuring, which includes acting as Court appointed receiver, receiver and manager, trustee in bankruptcy and liquidator on a number of renowned local and international receiverships, and cross border insolvencies. The landmark court decision of the Southern District of New York, "In Re Culmer", set a worldwide precedence in liquidation proceedings and this decision is referred to in global insolvencies. Mr Culmer currently serves on the Council of BDO International.

The Bahamas Financial Services Board (BFSB) awarded Mr. Culmer 'Executive of The Year' in 2002. In 2011 Mr Culmer received the "Lifetime Achievement" award in liquidations from the Bahamas Institute of Chartered Accountants.

Mr. Culmer is a past Director of BFSB and of The Central Bank of the Bahamas. Currently he is a Director of Atlantic Medical Insurance Ltd, Security and General Insurance, Nassau Insurance Brokers and Agents, Commonwealth Bank, Benchmark (Bahamas) Ltd, and Premier Travel.

Competing for Foreign Direct Investment

By Joy Ann Jibrilu

The Bahamas is a country that traditionally has attracted high inflows of foreign direct investment, and continues to be an attractive country for many investors. However, many of our significant investors are domiciled in nations that were directly affected by the worldwide economic slowdown, and this in recent times has negatively impacted the levels of investment by foreign entities in The Bahamas. The economy of The Bahamas is driven mainly by tourism and financial services, which are two industries that are easily affected by the vicissitudes of the global economy.

Role of FDI

Foreign Investment plays a critical role in economic growth and development and the Government of The Bahamas recognises that in order to strengthen the fortunes of the Bahamian economy, concerted effort needs to be made to further attract foreign direct investment. In a recent communication, the Right Honourable Perry G. Christie, Prime Minister of The Bahamas stated, "..my Government is committed to an aggressive plan to transform The Bahamian economy and society for the benefit of all Bahamians. A vital component of that plan includes promoting additional foreign direct investment across the country and particularly in Grand Bahama and the Family Islands".

Such is the reputation of The Bahamas as an investment friendly environment that we have been blessed with a great amount of foreign investment without having to actively sell The Bahamas. This is due in part to The Bahamas' 270+ years of political stability, strong legal system, legislative and regulatory regimes, and its respect for personal privacy. The geographic location, beautiful weather, and strong, smart and resilient people of The Bahamas, all have contributed to making The Bahamas an attractive place for foreign investment. Investments by the Government in modern infrastructure also are helping companies and developers locate and succeed in The Bahamas. In addition, The Bahamas has become a world leader in public capital investments per capita by launching the most comprehensive and ambitious infrastructural investment programme designed to enhance the quality of life for Bahamians and residents and the visitor experience of guests to our country.

FDI is a dynamic field and exists in an environment that is constantly changing. In order to attract and provide maximum value to investors one has to have the ability to adapt quickly to such change by providing the right regulatory environment, policy and legislation. Governments must be prepared to introduce and modify policy expediently to remain relevant. Paramount is ensuring that such changes are in a consistent and transparent manner that grows the sector. Globalisation - and the move by many countries to seek more actively to attract foreign direct investment through more generous incentives, easy approval policies and other appealing methods - has meant that The Bahamas will have to continue to be more proactive to keep ahead of its competitors.

Bahamas Investment Authority

The Bahamas is keen to maintain its reputation as the gold standard for investors and therefore all of its policies are carefully developed with this in mind. The Government's forward thinking economic growth and development policies are guided by the Bahamas Investment Authority (BIA), established to facilitate the application process for domestic and

international investors. The importance that the Government places on FDI and the attraction of FDI in The Bahamas is evidenced by the fact that the BIA operates from the Office of the Prime Minister. The BIA has been designed as a "one-stop shop" designed to simplify investing in The Bahamas. It has a four-fold mandate to promote investment; evaluate project proposals; monitor and co-ordinate project implementation; and develop investment policies. A non-Bahamian wishing to establish a business is required to submit a proposal to the BIA, and approvals come through this agency, which also co-ordinates with other arms of Government regarding investment matters.

Benefits and Incentives

There are no taxes levied on capital gains, corporate earnings, personal income, sales, inheritance, or dividends. These benefits are available to all resident corporations, partnerships, individuals and trusts. Investors are also attracted to the stability of the Bahamian economy which is steadied by the solid value of the Bahamian dollar. The currency is pegged to the US dollar on a 1:1 ratio, and this has been so since the 1960s.

The Bahamas offers liberal investment incentives that are targeted towards the needs of the investors. The majority of the incentives offer relief from customs duties on approved raw materials, equipment and building supplies, as well as allowing exemptions from real property taxes for up to 20 years. Under the Hotels Encouragement Act, hotel developers and developers of restaurants, shops and other amenities catering to the tourism sector are exempted from customs duties on construction material and furnishings. Other incentives are given through the following legislation:

- The Industries Encouragement Act
- The Export Manufacturing Industries Encouragement Act
- The Agricultural Manufacture Act
- The Hawksbill Creek Agreement Act
- The Spirits and Beer Manufacture Act
- The Bahamas Vacation Plan and Time-Sharing Act

Tourism is the engine of The Bahamian economy, being the chief employer and principal foreign currency earner. It contributes nearly 40% of the country's total gross domestic product. However, tourism has proven to be very susceptible to the vagaries of the world's economic fortunes, and this has pushed the Government to actively seek to diversify the economy. Desiring a more even spread in guiding and identifying investors towards priority business sectors for foreign investors, the Government is keen to attract resorts and amenities including sports tourism, faith based tourism, eco-tourism, education tourism, medical tourism and niche market development. In addition, also being promoted are international business centres, aircraft and maritime services, marinas, information and data processing centres, information technology centres, light industry manufacturing and assembly, agro-industries, offshore medical centres and services, banking, insurance and financial services, and alternative energy including wind and solar-generated development.

The Bahamas benefits from being a country of 700 islands and cays which offers a broad array of options to investors and visitors alike. Its largest industrial centre is Freeport on the island of Grand Bahama. In just over 50 years, the city of Freeport has successfully achieved the strategic development and balanced growth of a vibrant business and residential community. Freeport is a 200 square mile free trade zone and tax free zone whose focal point is the world class Freeport Harbour and Container Port, able to accommodate the world's largest ocean going vessels. The unique position of Freeport between the Northern and Southern continents of America makes it the ideal hub for the facilitation of trade between these two economic blocs.

The Bahamas recognises the ever changing investment landscape, and has done so for many years. It is for this reason that it has developed a reputation as the key innovator in the provision of Financial Services, Investments, and Tourism, leaving its competitors constantly trying to play the game of catch up.

Joy Ann Jibrilu,

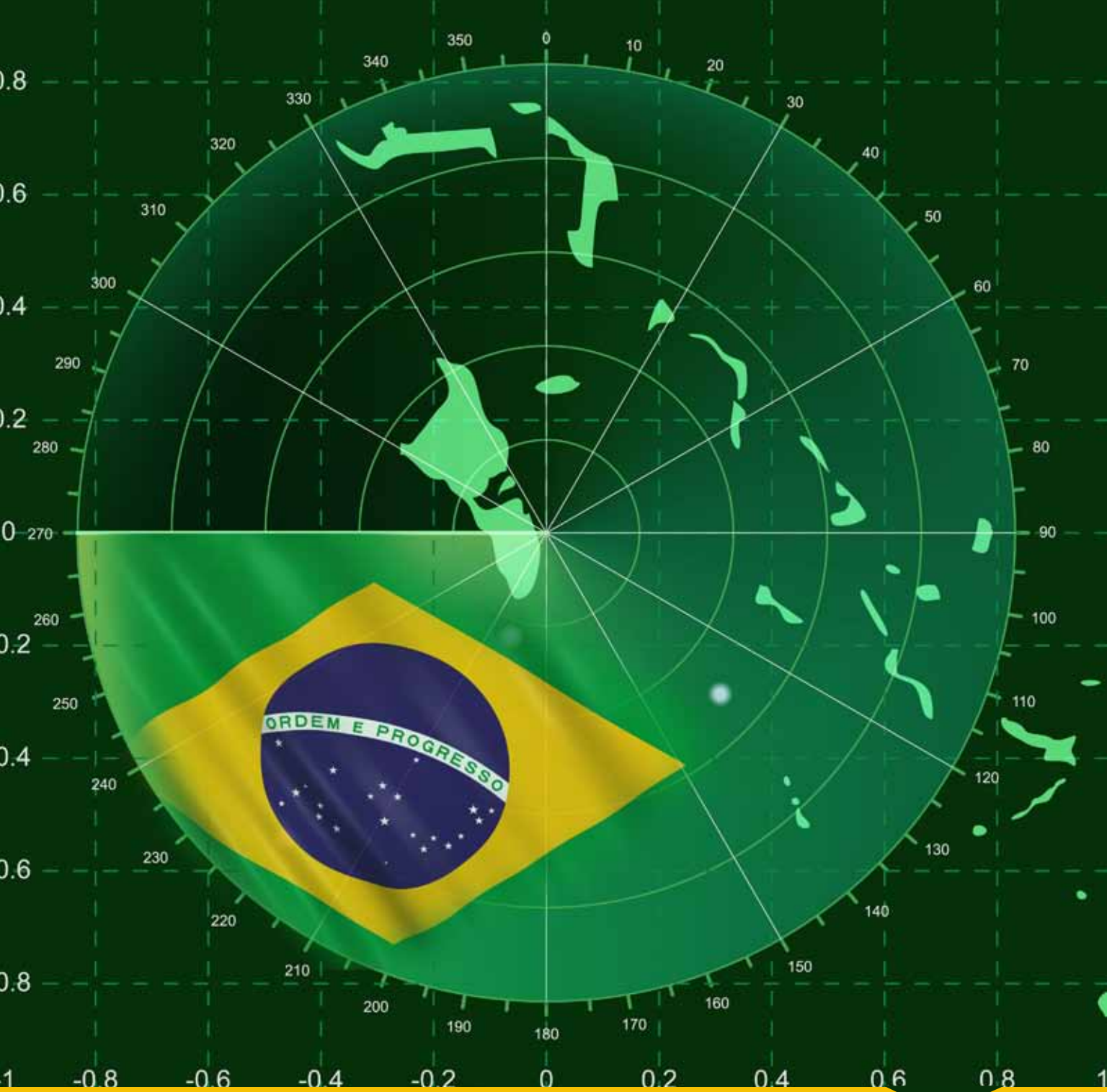
Director of Investments, Bahamas Investment Authority,
Office of the Prime Minister

Joy Jibrilu was appointed Director of Investments in the Bahamas Investment Authority, Office of the Prime Minister in July, 2008. Her career with the Government of The Bahamas began in 2005, where she worked in the former Ministry of Financial Services and Investments as a Consultant, followed by her engagement with the Ministry of Finance where she worked as a Legal Advisor and where her prime responsibility was working on International Agreements pertaining to Financial Services. She joined the Bahamas Investment Authority in February 2008 as the Deputy Director of Investments.

Prior to joining the Public Service of The Bahamas, Mrs. Jibrilu lived in Nigeria, where she was the Director of an International School. She also served as a Director of the Association of International Schools in Africa (AISA) for nine (9) years and was very active as a Board Governance trainer for International Schools in Africa. She traveled extensively throughout sub-Saharan Africa, providing training in Board Governance, as well as Legal Counsel on International School contracts, Institutional Reform, Dispute Resolution, Arbitration and Conflict Prevention to International Schools.

She received her primary and secondary education in the United Kingdom and has attended tertiary institutions in Canada, France, England and the United States where she obtained Degrees at the Bachelors and Masters Level (English & French, French Civilization, and International School Administration et al) as well as professional qualifications. She is a Barrister (Attorney-at-Law) by profession, but is passionate about education. She is a part time Law Lecturer at the College of The Bahamas, and has co-taught Law and Policy Courses for International School Administrators in the United States.

Mrs. Jibrilu has served on many Boards including, most recently, the Securities Commission Board of The Bahamas and the Bahamas Financial Services Board. She continues to be active in providing Board Governance Training to institutions and organisations.



The Bahamas on the radar of Brazilian Investors

By Ana Cecília Manente & Daniela Rios

The Bahamas has become an attractive new alternative for investments made abroad by high net worth individuals, as well as Brazilian based investment funds and portfolio managers.

In the past, Brazilian regulation practically banned investments abroad for Brazilian investment funds, and there were very few exceptions allowed. In fact, before January of this year, The Bahamas was an off limits jurisdiction to Brazilian investment funds. After changes in 2007 and 2008 to Normative Ruling no. 409, dated August 18, 2004, issued by the CVM (Comissão de Valores Mobiliários – Brazilian Securities Commission)[1], the rules were made significantly more flexible. Investments abroad by Brazilian investment funds were allowed as long as the financial assets, object of the foreign investment, were either:

(a) admitted to negotiation in a stock exchange or commodities and futures exchange, or registered in the registry, custody or financial liquidation systems duly authorized in their original countries and supervised by a recognized local authority; or

(b) had their existence assured by the custodian of the Brazilian fund, who must hire, specifically for this purpose, third parties duly authorized for such activity of custody in signatory countries of the Treaty of Asunción (Mercosur) or in other jurisdictions, as long as, in such case, the third parties are supervised by a recognized local authority.

CVM considers a local authority as recognized either when it has signed a mutual cooperation agreement that allows the exchange of information for operations performed in the markets supervised by it, or if such authority is a signatory to the Multilateral Memorandum of Understanding (MMoU) of the International Organization of Securities Commissions – IOSCO. In January of this year, The Bahamas became a full signatory ("status A") of the IOSCO MMoU, allowing the jurisdiction to become an investment option for Brazilian investment funds under the applicable CVM regulation.

Having surpassed this significant milestone, Brazilians now turn their heads towards The Bahamas and begin to assess the characteristics of the jurisdiction as an alternative for offshore structuring. It should be noted that The Bahamas is shortlisted as a tax haven by Brazilian tax authorities, which could in certain circumstances bring adverse tax implications to the involved parties. With proper structures, however, there will be no negative tax consequences for Brazilian funds or resident individuals investing in tax havens.

Brazilian individuals that invest directly in a fund abroad, regardless of the place of incorporation of the fund, are taxed for the income received from the fund. If the income is received as dividends, the income taxation will be levied at progressive rates varying from zero up to 27.5%; but very easily reaching the 27.5%, since brackets are extremely compressed (this same taxation applies to dividends paid to Brazilian by foreign companies). In the case of sale or redemption of the investment, the taxation will be of 15% over the capital gain. Additionally, Brazilian individuals, when investing abroad directly, will have to pay a tax (IOF) over the conversion into foreign currency of amounts being remitted abroad as well as over the amounts being sent back to Brazil, at the rate of 0.38%.

On the other hand, Brazilian individuals that invest indirectly in a fund abroad by means of investing in a Brazilian fund that in turn invests in a fund abroad can be subject to a more favorable or deferred taxation. Specifically, when a Brazilian individual invests in a fund abroad through a Brazilian fund, the taxation of the Brazilian individual will vary from 22.5% to 15% over income received from the Brazilian fund, depending on the composition of its portfolio and the amount of time during which the individual holds the investment. For Brazilian funds investing abroad, the foreign exchange tax mentioned above is reduced to zero. Also, a Brazilian fund is not taxed on the returns received from the offshore fund, and it can reinvest all amounts received, adjourning the delivery of the return to the investor - and, thus, the related Brazilian taxation. The taxes due by the individual investor will be deferred until his investment in the local fund is redeemed (in total or in part) or sold.

Considering that the taxation mentioned above does not change if the foreign investment is in a tax haven or not, the fact that a particular jurisdiction is shortlisted in Brazil as a tax haven should not be a major concern for Brazilian high net worth individuals, investment funds and managers when opting for a jurisdiction to set up an off-shore fund. What should be evaluated, actually, are economic and political stability, the legal system and regulatory framework of the jurisdiction under consideration, as well as the available

infrastructure (good telecommunications, for example), and quality of service providers; effectively, the costs involved, the flexibility allowed and the trustworthiness the jurisdiction offers.

Among the options offered by The Bahamas are SMART (Specific Mandate Alternative Regulatory Test) Funds, which stand out with advantages such flexibility in structuring, expedited approvals, streamlined reporting, and low costs. There are seven distinct templates of SMART Funds that vary in characteristics such as number of investors, risk profile, minimum subscription values, requirement for auditing and the initial incorporation documents – with some models not requiring a term sheet or offering memorandum to be set up.

One of the models of SMART Funds recently created that can be particularly useful, and with characteristics that can give Brazilian investors an ideal product for their needs in wealth management, is the SMART Fund 007, specifically tailored for "super-qualified investors". The SMF007 can be set up through a simple term sheet instead of a full offering memorandum and allows the flexibility of having from one single investor to up to fifty investors, with each making a minimum initial subscription of US$500,000. The SMF007 also permits a significant decrease in maintenance costs since it is possible to waive the auditing of the financial statements, if all investors agree. Also, the SMART Fund 007 does not require an administrator, allowing the operators to administrate it directly.

The Brazilian fund industry now has the opportunity to start testing these funds. The regulatory framework recently created by The Bahamas seems adequate to reduce bureaucracy to a minimum without compromising the credibility, transparency and reliability of the jurisdiction.

These funds can be a particularly good alternative for investment managers of Brazilian "409 Funds" that want to invest abroad, and to sophisticated high net worth individuals who wish to benefit from investing via a regulated fund structure but do not need a complex hedge fund structure, or are more sensitive to costs.

[1] CVM Normative Rulings no. 450, dated March 30, 2007; no. 456 dated June 22, 2007 and no. 465 dated 1 February 20, 2008.

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Ana Cecília Manente is a Partner of Levy & Salomão Advogados, Brazil. Her practice concentrates on managed funds, foreign investment, and M&A deals. Ms. Manente also has extensive experience with structured finance, lending and venture capital, as well as securities and general corporate matters. She works regularly with both foreign and Brazilian private equity investors and hedge funds on fund formation and administration and investment structuring, and she serves as principal Brazilian counsel to many large international corporations doing business in Brazil. She holds a Bachelor of Laws degree from the University of São Paulo and a specialist degree in International Finance from the Foundation Institute of Economic Research of the University of São Paulo – FIPE/USP.

Daniela Rios
Associate, Levy & Salomão Advogados

Daniela Rios is an Associate, Levy & Salomão Advogados, Brazil. She advises domestic and international clients in connection with a wide range of corporate matters, including the establishment and maintenance of corporate entities in Brazil, the review of contractual obligations, due diligence investigations, M&A and other corporate transactions, and dispute resolution involving corporate entities. Daniela also advises clients with respect to real estate and environmental matters, assisting clients on both an advisory basis and with due diligence investigations in such areas. Daniela is an LL.M candidate at Columbia Law School, holds a Bachelor of Laws Degree from the Universidade Presbiteriana Mackenzie and a Post-Graduate Degree in Corporate Finance and Investment Banking from Fundação Instituto de Administração.

Seeking Alpha

By Andrew Rolle

Nearly half a decade following the financial crisis, wealth management practitioners continue to grapple with delivering superior risk adjusted returns to high net worth (HNW) clients, who continue to demand more from their service providers. Investment fund managers who continue to use conventional indices as a benchmark no longer attract the same volume of capital as they did previously, as a result of obsolete asset pricing models or the over reliance on long positions in traditional investments. Access to alternative investments such as event driven pre-IPO startups and broadly diversified long/short equity funds is highly sought. In relation to any reinvestment of capital that has been accumulated due to the sale of a successful business (i.e. liquidity event) or through inheritance, the next generation of sophisticated investors insist on achieving consistent absolute returns. They are seeking ALPHA.

The Bahamas, as an international financial centre, increasingly is becoming known as an emerging investment fund domicile, which facilitates a variety of available private label fund structures that offer varying degrees of flexibility in order to accommodate the evolving needs of HNWs, fund managers and family offices. Adding further credibility to the jurisdiction was its recent approval as a Signatory A under the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information ("the MMoU") of the International Organization of Securities Commissions (IOSCO). The Specific Mandate Alternative Regulatory Test (SMART) Fund is the vehicle of choice for the modern investor interested in creating a single, regulated and transparent structure that not only can preserve but also enhance wealth via seamless access to the capital markets and alternative investments. HNWs are internationally mobile and typically own investable assets and maintain personal or professional interests in several jurisdictions. Therefore, they prefer a consolidated platform by way of a private label fund in a neutral jurisdiction that can simplify administrative burdens with the asset management function outsourced to an established financial analyst. In their quest to deliver ALPHA, top fund managers also recognize that the innovative structuring of investments provide a competitive advantage to complement their market timing and security selection skills. This article examines several scenarios where such structures add significant value.

Scenario I

A Brazilian entrepreneur successfully completes the beta testing of a new sugar cane renewable energy technology during the seed capital stage of his capital raising efforts. Having proven the viability of his new product, several venture capital firms from throughout Latin America, Canada and Asia express serious interest in investing in the start-up company. Given the time sensitive nature of such rare opportunities, the businessman needs a cross-border compliant entity that is relatively straightforward to establish but offers streamlined and sophisticated reporting mechanisms to his investors. The venture capitalists specialize in the energy sector and are convinced that the innovative company will eventually go public and generate ALPHA for their investors. Therefore, a SMART Fund is established restricting the number of investors to the founder's original employees and outside investors with the appropriate lock-in periods in order to avoid any flight of capital before the company's official launch.

Scenario II

A rising star commodity fund manager is still in disbelief as her New York based alternative asset management division was recently eliminated during the company's global restructuring exercise. To her comfort, she has been inundated with phone calls from her clients who have grown accustomed to the superior returns she has been able to generate consistently. However, she is very concerned about how she will be able to continue to meet such high expectations given the prohibitive costs of starting a new hedge fund and the uncertain global regulatory landscape. After extensive due diligence with respect to her options, she has advised her top ten clients who have confirmed that they will follow her in future endeavors that she has decided to establish a SMART Fund. She was impressed with the flexibility in her structuring options, reasonable pricing and the stability that an independent Bahamas provided as an international financial centre. With her new fund up and running, she can now focus on finding ALPHA.

Scenario III

A single family office (SFO) recently sold one of its major business lines and has invited several leading money managers to its annual general meeting in The Bahamas to discuss strategies of how they should deploy their new found liquid assets. The adult children who have become members of the investment committee as a part of the succession planning of the family business are also present at the meeting. The offspring and the family patriarch are often at odds, as the former prefers the more risky structured product type investments, whereas the latter enjoys the security of the more stable plain-vanilla exchange traded funds. The SFO's external counsel recommends that their existing SMART Fund investment vehicle be restructured into a segregated accounts company (SAC), which would allow them to create a new share class (effectively a sub-fund) for each of the new members of the investment committee. Each share class may have its own investment strategy, investment manager and

custody account with its assets and liabilities separated by law, but still remain a part of the overall umbrella family structure. The future owners of the family business now have a proportionate stake in the investment decision making process and are equipped with professional NAV calculation and reporting services to justify their ALPHA driven investment profile and risk appetite.

The SMART Fund regime inherently is client-driven as the seven existing models were designed to accommodate different circumstances on a case by case basis. As such, amid the myriad of shifting international regulations The Bahamas is uniquely poised to continue to create cutting edge products that are transparent and provide timely efficiencies. Regardless if it is the business empire struggling to resolve their inter-generational competing interests, the skillful manager with a stellar reputation to maintain or the game changing technologist, Bahamas SMART Funds have proven to be the ALPHA solution.

Andrew Rolle
Investment Fund Specialist,
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Andrew Rolle is an attorney and currently serves as the Investment Fund Specialist at Equity Trust Bahamas Limited. Prior to his most recent appointment he has held senior positions at several international financial services institutions. He holds a degree in Economics. Mr. Rolle is a Director of the Bahamas Investments & Securities Business Association (BISBA), an organisation that aims to bridge the gap between local and international practitioners in order to create opportunities in the investment and securities sector. It seeks to advance business integrity, transparent communication and professional cooperation, while fostering cross industry collaboration to facilitate economic development.

Grand Bahama
Poised for Expansion

By Ian Rolle

Lying within a mere 68 miles of the United States East Coast is a 230 square mile Tax Free Trade Zone known as Freeport, Grand Bahama. Widely regarded as The Bahamas' industrial centre and maritime hub, Freeport has been known by many names over the years: The Hong Kong of The Bahamas, Singapore of the West Indies and Gateway to the Americas.

Freeport was created over 50 years ago by an agreement between the Government of The Bahamas and The Grand Bahama Port Authority, Limited; this agreement known as the Hawksbill Creek Agreement has given way to one of the most unique investment platforms in the Caribbean region.

The Hawksbill Creek Agreement was signed in 1955 under the leadership of the Port Authority, in concert with the Government of The Bahamas. It established a city and free-trade zone on the island, focused on promoting economic development. It is an area free from taxation on income, capital gains, corporate taxes and various other real

estate incentives, initially until 1985 – a provision that has since been extended to the year 2054. Grand Bahama's competitive advantage is based on several key factors: its strategic location; fiscal incentives; free trade zone; economic and monetary stability; highly skilled workforce at competitive rates; superior financial services; world-class infrastructure; progressive immigration policy; and an unsurpassed quality of life.

It is estimated that close to 90% of all goods consumed around the globe, at some stage or another, is transported by sea. With the shipping industry being global in business, the maritime industry continues to present great potential for Freeport, locally and internationally.

Freeport's harbour has a controlling depth of over 50 feet, one of only two privately accessible deep water facilities on the Eastern Seaboard of North America (the other being Halifax, Nova Scotia). Sitting on the deepest port in the region is the Freeport Container Port, a subsidiary of Hutchison Port Holdings, which is a mega transshipment cargo terminal, operating 24 hours per day, 365 days per year. It can handle the world's largest container vessels - highly significant given the impending doubling in capacity of the Panama Canal, which will enable the canal to be used by 'post Panamax' vessels.

Hutchison Port Holdings continues to invest substantial sums in Grand Bahama and is the world's leading port investor, developer, and operator with interests in 26 countries. It is a subsidiary of Hutchinson Whampoa, a Fortune 500 company and one of the largest firms listed on the Hong Kong Stock Exchange. The group is responsible for the management of Freeport Harbour and Container Port, as well as the Panama Canal, with each entity forming an integral part of the group's global port strategy.

Grand Bahama's strategic location to the US mainland, enviable position on major shipping routes, combined with the infrastructure of a world-class container terminal and a deep water harbour, make Freeport an ideal location for businesses in the Logistics Distribution & Supply Chain Services sector. This unique advantage alone bodes well for future expansion.

As Grand Bahama prepares to capitalize on the doubling capacity of the Panama Canal, local and international legislation continues to work in its favour. As referenced above, businesses operating within Freeport, Grand Bahama receive numerous benefits and tax concessions via the Hawksbill Creek Agreement.

Some of these concessions include: no income taxes; no taxes on earnings and profits; no property taxes; and full duty exemption to licensees on the importation of equipment, supplies and raw materials for manufacturing.

Aside from the low-tax concessions offered to Freeport businesses, there is also the added benefit of regional and international trade agreements, such as the Economic Partnership Agreement, Caribbean Basin Initiative and CARIBCAN. These trade agreements afford exports from The Bahamas preferential access to markets in Europe, America, Canada and the Caribbean Region.

The Jones Act 2004 bans non US registered ships from docking more than once at US ports. However, to Grand Bahama's benefit, it can act as a transshipment hub for the world's shipping, servicing the US, the rapidly developing economies of Latin America and the trade lanes to Europe, the Far East and Australia.

Continued expansion of the Freeport Container Port is accompanied by renewed focus on development of the island's Sea/Air Business Centre. The easy and efficient movement of goods by air or sea is orchestrated by an array of professional services that operate within a 2 mile radius of each other. An integral component for future growth is the island's major international airport with US Pre-Clearance facilities and state-of-the-art amenities, and which is equipped with an 11,000 ft. runway capable of landing the largest aircraft in service and within easy reach of all major US destinations.

Another key distinct incentive for future growth is that Freeport is very well-designed. To date, The Grand Bahama Port Authority and its private sector partners have invested some 11 billion dollars in Grand Bahama's infrastructure, building a city out of a barren pine forest in a little over 50 years - from merely 3,000 plus persons with an economy based on fishing and logging in 1955, to an internationally vibrant and multi-faceted city of over 52,000 today. By virtue of the city's master plan, Grand Bahama has cultivated the perfect balance of sustaining a robust industrial sector, alongside tourism, real estate and residential development; a combination unrivaled anywhere in the Caribbean.

The Grand Bahama Port Authority, in partnership with The Bahamas Government, has put in place all of the necessary framework to ensure an optimal investment environment on Grand Bahama Island.

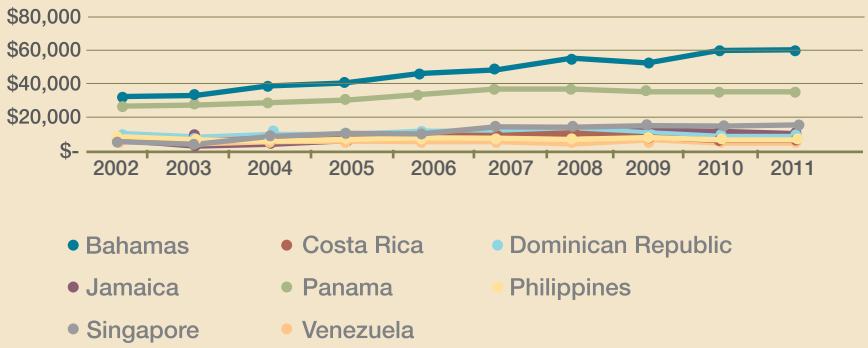
Quick Facts

Investors in Grand Bahama enjoy unmatched access to a wide range of economic concessions, benefits, and infrastructure, including:

- Structured exemption from taxes on real and personal property, capital gains, earnings, stamp duty, excise, and export taxes
- Duty exemptions from all capital development and supplies for business operations
- Duty-free housing for business licencees and their employees
- A 95% literacy rate
- Minimum wage of $3.75/hour
- More than 400 miles of US-quality roads
- The deepest, largest, and most strategically located international shipping port in the region
- A streamlined and efficient business licensing process
- Reliable and stable utilities
- Abundant supply of fresh water

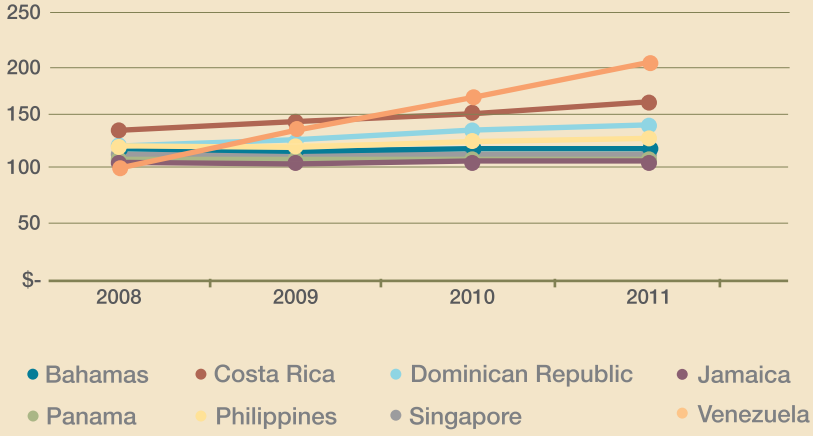
Grand Bahama is a premium destination for investors, and the data fully supports our business case. We are a leader in the region on par with key global competitors.

GDP Per Capita, PPP



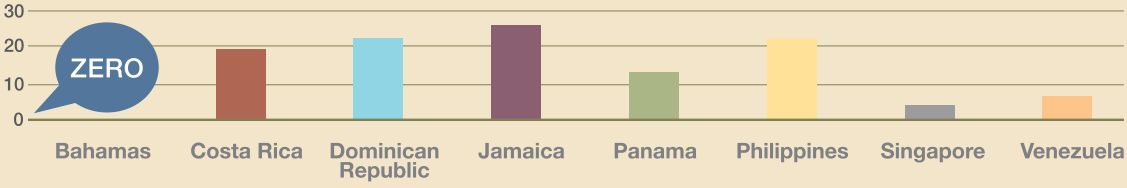
- **The Bahamas enjoys an excellent quality of life as indicated by its Gross Domestic Product (GDP) per capita which ranks among the top 25% in the world.**

Consumer Price Index

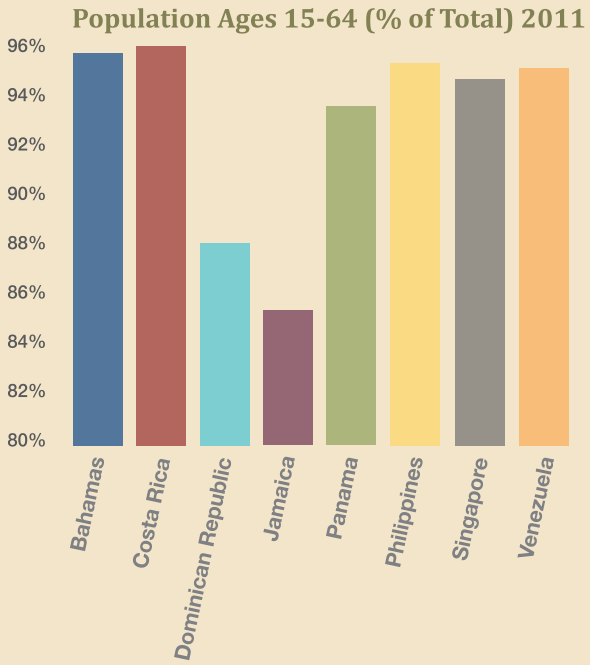


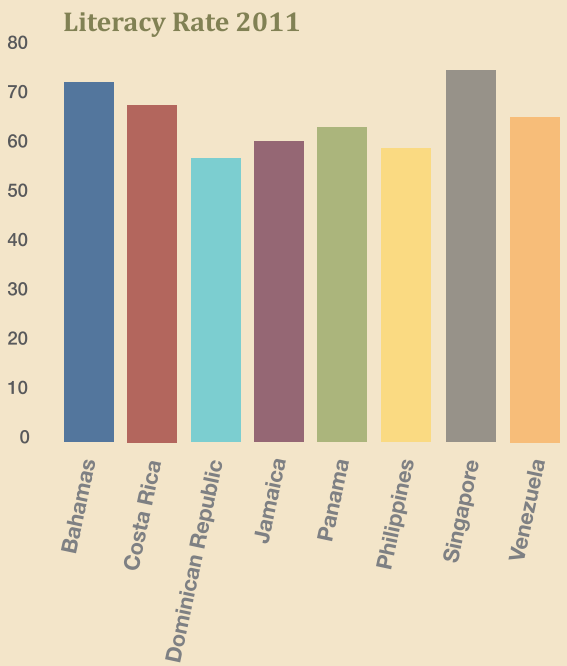
- **Lower cost of living than regional and key global competitors**

Profit Tax (% of Commercial Profits) 2011



- **No other regional or key global competitors offer zero taxes on profits making Grand Bahama the ideal choice for investors**





- **Grand Bahama offers a pool of skilled workers across a wide array of skill sets available to help you meet your objectives.**

Our ongoing mandate is to:

• Offer the most comprehensive centre for international business in the region.

• Anticipate and fulfill the requirements for significant and profitable investments in targeted development sectors.

• Deliver a world-standard platform for trade, industry, tourism, real estate, technology, financial services, lifestyle and entertainment.

An ideal location, infrastructure, and low tax platform, complemented by our proactive economic and trade policies and investor friendly environment, have contributed to business sustainability. Despite a global economic recession, the island's industrial sector has remained buoyant with major international companies such as Polymers, a subsidiary of Dart Corporation; PharmaChem, a subsidiary of Novasep Holdings; and BORCO, a subsidiary of Buckeye Partners, and others continuing to call Freeport home.

Investment and economic incentives currently are driving growth in all key sectors. Grand Bahama offers virtually unlimited space for development. Additionally, new developments can be located in the right areas to make the best use of natural resources, other industries and existing infrastructure. As the local economy continues to mature, new investment opportunities have been identified as essential to the ongoing growth of the island:

• Logistics & Transportation
• Financial Services & Technology
• Tourism
• Manufacturing & Light Industry
• Real Estate, Lifestyle & Entertainment

Myriads of opportunities exist for new and increased business in and from Freeport. As a result of its unique attributes, it offers a highly advantageous investment platform, providing a wealth of opportunity for investment over a variety of the island's economic sectors. Most certainly we are poised for expansion, and Grand Bahama's future indeed looks bright. ::

Ian B. A. Rolle, CPA, CA

President – GBPA Group

Ian B. A. Rolle, President of The Grand Bahama Port Authority, Limited (GBPA), was born on Grand Bahama Island and considers himself an entrepreneur at heart. President Rolle is passionate about creating sustained economic growth for the City of Freeport, and since his appointment he has implemented numerous initiatives that support small business development and the revitalization of Grand Bahama's small business sector. These include the Downtown Revitalization Project with the implementation of the Downtown Freeport Business Owner's Association; the International Bazaar 1st Year's License Fee Waiver; the Warehouse Storage Space Initiative; and the Shared Office Space Initiative.

Prior to Mr. Rolle's appointment as President, he served as Chief Financial Officer, Group Financial Controller and as Group Financial Analyst upon joining the GBPA Group in 2000. In 1995 prior to joining the GBPA, Mr. Rolle was employed with Ernst & Young as a Senior/ Knowledge Steward. During that time, he passed the Georgia State Board of Accountancy exam and became a Certified Public Accountant. Thereafter, he held the post of Finance Manager at Hutchison Lucaya Limited where he was responsible for the management of a 450 million dollar budget for the redevelopment/reconstruction of Our Lucaya Hotel properties.

President Rolle is a current and active member of The Bahamas Institute of Chartered Accountants, The Georgia Society of CPAs, and the American Institute of Certified Public Accountants.

The Bahamas - One Step Closer to International Aircraft Registry

By Llewellyn Boyer-Cartwright

Swift action by the Government is taking The Bahamas steps closer to launching a much anticipated international aircraft registry that many observers believe is the last missing link in this nation's chain of premium financial service products.

First proposed by the Bahamas Financial Services Board (BFSB) more than a decade ago, the idea of a global aircraft registry (along with a comprehensive study supporting it) gathered dust until 2012 when new life was breathed into it, thanks in part to a surge in private and corporate aircraft business worldwide and personal efforts in engaging government ministers, civic organizations, and businesses. As a specialist in aviation law, I was often thrust into the role of spokesperson, but had the Government not recognized the value of such a registry, my voice would have been nothing more than a reverberation of meaningless sounds.

Despite a long matriculation process, the Government is committed to the concept and much progress has been made thanks to the support of Minister Glenys Hanna-Martin, and her Permanent Secretary in The Ministry of Transport & Aviation, Mrs. Lorraine Armbrister. Last year, The Ministry of Transport & Aviation appointed a consultative committee, naming Mr. Charles Albury, Under Secretary, as Chairman. I personally sat on this committee along with the BFSB and others representing related aviation and financial services interests. Seeking to keep the momentum going, I travelled to four international conferences, the last in Geneva, to speak about the implementation of the aircraft registry and will be speaking at a major international aviation conference in Aruba in December.

The Consultative Committee reviewed a proposal to expand the aviation and financial services industries in The Bahamas, prepared in 1999 by the aviation consultancy firm of Simat, Helliesen & Eicher (SH&E) , Inc. The Report concluded that The Bahamas' tax structure, sound economy, stable political environment and business infrastructure should make it an attractive option for aircraft leasing/financing. However, in order to make an informed recommendation the Committee recommended that a qualified firm be contracted to conduct a survey of competing jurisdictions to provide relevant empirical data upon which a decision can be made. The government has published a Request for Proposal (RFP) inviting qualified firms to submit proposals to conduct the survey.

Meantime, and much to the pleasure of many concerned with aviation, the government has announced that it has succeeded in borrowing $50 million from the Inter-American Development Bank for an air transport sector reform programme. The monies will finance the acquisition of a new radar control system and tower facilities for the country's

main airport, Lynden Pindling International in Nassau, where more than three million passengers a year fly in and out of the airport that has already undergone an over $400 million rebuild. Funds will also allow for the recruiting and training of more than 80 new air traffic controllers, although the Minister believes that ultimately as many as 200 will be needed throughout The Bahamas. The programme will also finance the upgrade of selected family island airports; the restructuring of the Department of Civil Aviation, allowing the Department to give added focus to policy formulation, aviation safety oversight and regulatory control. One of the critical components in preparing for a registry is separating the regulatory and aviation safety oversight functions from airport operations so it is commendable that the government has agreed to restructure the Civil Aviation Department, and that the process already is underway.

Proponents of an international aircraft registry have pointed to the economic benefits – opportunities for registration, leasing, and financing even for aircraft not physically present in the country. And they have said that for those aircraft based in The Bahamas for a part or the full year, economic and entrepreneurial opportunities are endless – provisioning, servicing, repair facilities, parts and maintenance, fueling and possibly the creation of a regional aircraft hub.

My belief is that the establishment of an international aircraft registry would do for the aircraft and airline industry what the Bahamas Maritime Authority has done for shipping in terms of the creation of shipyards and repair facilities capable of handling the largest ships at sea, including mega cruiseships. But in order for the registry to work, I am of the view that two basics are necessary – (i) the Customs duty that now stands at 10% has to be exempted for registered aircraft and (ii) the registry has to be of high quality, avoiding any perception that it is a registry of convenience. I cannot stress enough that top quality provides greater comfort for financiers and insurers.

There are many parties who are interested in doing business in The Bahamas and for them an aircraft registry represents the last link in the line-up of premium financial services. These are corporations and high net worth individuals who can bring valuable assets to the country without stressing resources. They may buy a second home, start a joint venture, require professional services, make purchases ranging from groceries to automobiles, keep a boat at a marina, and/or hire domestic staff.

"One of the critical components in preparing for a registry is separating the regulatory and aviation safety oversight functions from airport operations so it is commendable that the government has agreed to restructure the Civil Aviation Department, and that the process already is underway."

More and more countries have recognized the value of aircraft registries and are working quickly to set up their own registries. In the past two years, San Marino and Jersey have set up their own aircraft registries with Guernsey set to open soon. Aruba and Bermuda, both of which are well established, are continuing to grow and Bermuda now counts more than 700 aircraft on its register. And Isle of Man, which just established its aircraft registry a little more than five years ago, is already reaping the benefits, proving itself to be a success story while still almost in its infancy.

The Bahamas has a window of opportunity, and I am very hopeful that we will continue to move at a quick pace to take advantage of the varied benefits. Aviation is big business on a global scale that shows no signs of slowing down. Each year the orders for executive aircraft break previous records and there are numerous new markets in development. It is in our national interest to ensure that we are well equipped to capitalize on these emerging markets and the establishment of an aircraft registry is an important step in that direction.


(photo by Roland Rose)

Llewellyn Boyer-Cartwright,
Partner, Callenders & Co

A former commercial airline pilot who combined a passion for flying with advanced legal training including a Master's degree in Aviation Science, Mr. Llewellyn Boyer-Cartwright is a Partner at the country's oldest law firm, Callenders & Co.. He specializes in Aviation Law (aircraft financing, registration and licensing), Property Law involving private residential and commercial acquisitions, and Estate Planning and Administration. He has acted on behalf of numerous high net worth private clients in respect of their acquisition of private residences and commercial properties and has been involved in negotiations with The Bahamas Government as it relates to project proposals and concessions under the Hotels Encouragement Act, The Nassau Revitalization Act and the Antiquities, Monuments and Museums Act. He also has experience in the resealing of Grants issued out of both common law and civil jurisdictions as it relates to the Probate and Administrations of Estates Act.

Mr. Boyer-Cartwright was educated in the United Kingdom and the United States and holds a Bachelor of Law (LLB. (Hons)) from The University of Buckingham and a Masters in Aviation Science (MSc.) (including Aviation Safety and Airport Planning & Design) from Everglades University. In 1994 he was admitted into the Honourable Society of the Inner Temple, London, England (England & Wales) and The Bahamas Bar. He is a member of Lawyer-Pilots Bar Association, The Bahamas Bar Association's Real Estate Section as well as a member of the Society of Trust and Estate Practitioners (STEP).

By Larry Roberts

For the past 60 years or more, the elite of the world have been zeroing in on select private refuges, away from the glare of the big city lights and congestion, to the pristine private beaches and quaint colonial towns of the sparsely populated islands of The Bahamas. In the early 1950s Canadian industrialist E. P. Taylor took a bold step and transformed a narrow beach fringed peninsula bordered by a mangrove swamp at the western end of New Providence into one of the most exclusive gated communities in the Caribbean. He named this community Lyford Cay. This exclusive waterfront development with club house, 18 hole golf course, deep water marina and estate size home sites became a magnet for the super wealthy of the world: industrialists, shipping magnates notable names and families such as Niarchos, Goulandris, Lord Montonmere, Todds, John Dorrance, De Savary, and Brady. In more recent times such notables as Sir John Templeton, Joe Lewis, Sir Sean Connery, Michael Dingman, Sarkis and Dikran Izmirlian, members of the Bacardi family, Peter Nygard and hedge fund kings, Louis Bacon and Mark Holowesko have all settled in. There are a host of others on the name drop list who have found refuge in The Bahamas, including Shakira, Shania Twain, Elle Macpherson, Lenny Kravitz, Mike Oldfield and golfers Adam Scott and Tiger Woods.

And then there are those who really want to get away from it all, especially from the paparazzi who fortunately have not ventured into the islands. An adventurous segment of the entertainment industry has focused on the islands of The Bahamas, of which there are 700. David Copperfield, Johnny Depp, Faith Hill and Tim McGraw, Marc Anthony, Tyler Perry, Nicholas Cage have all chosen one for themselves. There are recent rumors of Jay-Z and Beyonce purchasing an island. In years gone by stars of the past including Burl Ives, Hume Cronyn, Jessica Tandy, Marlene Dietrich and Ian Fleming were frequent visitors and/or owned homes in The Bahama Islands.

For those who can afford to buy what they want….what is there not to like about having a home in The Bahamas? Turquoise waters that can be clearly spotted from the moon, powder sand beaches, magnificent coral reefs, friendly people, a stable democratic government, sophisticated banking and financial services facilities, state of the art telecommunications, currency parity with the US Dollar and all within 2 ½ hours flying time from New York and 45 minutes from Florida.

Bahamas Luxury Property Market

There is no better time to buy property in The Bahamas than now

During the past 4 – 5 years The Bahamas has not been immune to the financial crisis that has rocked the banking and financial services industries globally and the resulting effects that it has had on the local real estate market. On average, property prices have seen a 20% correction from the all time highs with some areas, price points and property categories seeing drops of as much as 60%. The luxury market has held up the best and following on the heels of the recovery in the United States is starting to see a come back. The level of activity still has a way to go to return to previous levels; however, the trend is positive and encouraging. A little known or appreciated fact is that The Bahamas property market is very small. Whereas in many neighborhoods and districts in the United States, the UK or Europe there may be hundreds or even thousands of properties to choose from in different categories, in The Bahamas there are only handfuls. You can practically count the number of developed estate size beachfront properties for sale at any one time on your two hands. Certainly the number of private islands currently listed for sale would not exceed this number. It is easy, then, to appreciate what the effects are to the market when 4 or 5 properties change hands within a few months of one another in a development in which there may be only 15 or 20 properties for sale at any one time. It doesn't take much movement in the market to swing from a buyers market to a sellers market or vice versa.

What does the future hold for The Bahamas? Clearly the Bahamian economy has been severely impacted by weakness in the global financial markets and the many depressed national economies. A recent White Paper prepared by Leading Real Estate Companies of The World, based on data provided by The Harrison Group and published by American Express, reveals a few interesting facts about today's wealthy consumer. First, during the past 5 years wealthy consumers have learned to take control of and manage their finances. They have stronger balance sheets and they have reduced credit card and mortgage debt. Their overall savings rate has risen from 11% to 23%. 63% of their surplus money is in money markets and only 37% in financial markets. 75% have no credit card debt and 31% have no debt at all. 91% own a home and 48% own their home outright. Affluent consumers feel better about themselves, but they also feel that conditions nationally and globally have worsened over the past year. Their priorities have shifted to "an ever tightening circle of trust (family, close friends and trusted advisors)" and "a greater focus on good health, spending more time with family and creating shared memories through experiences".

The affluent consumer has moved away from the mindset of best price

being more important than best quality. Now these consumers are "shunning compromise and refusing to trade quality and craftsmanship for price. The consumer has now come to expect that the price of the home ought to reflect the worth of a home".

Today's affluent are less inclined to want to put their wealth on display. The trend globally and "among mainstream America is towards disdain for wealth rather than a celebration of success". This has resulted in a "trend toward a reduced visibility of wealth and a greater focus on associating with communities of like minded persons where there is less risk of being judged and having to defend one's success". Hence, the increased popularity of the gated communities that "encompass extensive lifestyle and social opportunities."

In 2012 the affluent consumer in The United States held $7.6 trillion in their savings and checking accounts. $688 billion of this was in non-interest bearing checking accounts. This indicates a readiness to make purchases and, indeed, so far in 2013 we have seen clear evidence that the wealthy consumer is back in the real estate market. Clearly the real estate market has recovered in many communities in The United States and property values are on the increase.

The Bahamas is well positioned to benefit from this rebound. 62% of the top 1% of affluent consumers say that they are looking for beach and/or ocean front property, 22% are looking for lakeside property and 26% are looking for a property in a gated community. There are limited opportunities in The Bahamas to satisfy the demand for lakeside property; however, The Bahamas specializes in beach and ocean front properties and there are many fine gated communities to choose from.

Clearly all indicators tell us that the "ducks are lining up" and that The Bahamas property market should continue to improve in 2013 and will be fully recovered by 2014. There is no better time to buy property in The Bahamas than now. ⁘

Larry Roberts
CEO, Bahamas Realty

Larry Roberts is the CEO of Bahamas Realty Limited and NAI Bahamas Realty Commercial a full service real estate company based in the Bahamas. The company is the exclusive affiliate in The Bahamas for Leading Real Estate Companies of The World, its exclusive luxury brand Luxury Portfolio, a member of Who's Who in Luxury Real Estate and NAI Global.

Mr. Roberts has 43-years of experience in the residential and commercial real estate markets both in sales and leasing. He is a member and a past president of The Bahamas Real Estate Association (BREA), International Member of The National Association of Realtors (NAR), member of Society of Industrial & Office Realtors (SIOR), a Certified International Property Specialist (CIPS) and a member of The International Real Estate Federation (FIABCI). He is a Certified Residential Specialist (CRS), a Luxury Home Marketing Specialist (LHMS), Transnational Referral Certification (TRC) and an e-PRO.

He is a Past President of The Rotary Club of South East Nassau, and currently serves on the following Boards: The Downtown Nassau Partnership, The International Advisory Board of Leading Real Estate Companies of The World, and the Bahamas Financial Services Board. Awards received include the Leading Real Estate Companies of The World Presidents Service Award, the NAI Global Presidents Service Award, and the Rotary International Paul Harris Fellowship Award.

a gateway

to The Bahamas & the Future

By Steven Kelly

Private Aircraft Facility

When asked "What is Odyssey Aviation?" my first answer is always, "We're an FBO, or fixed-base operator." The Federal Aviation Administration broadly defines an FBO as "a commercial entity providing aeronautical services such as fueling, maintenance, storage, ground and flight instruction, etc., to the public." Unless my inquirer is in the aviation industry, it is common that I get the follow up question(s), "What does that mean? What do you actually do?"

Odyssey Aviation is an arrival and departure facility for private aircraft, much like a marina is for private yachts. We have four locations in The Bahamas and provide a sundry of services to flight departments, crew and passengers. All locations offer Bahamas Customs and Immigration entry, in addition to concierge services, hotel and transportation booking, catering, VIP event coordination, and even dog grooming… whatever our visitors require. Depending on the location, services include aircraft fueling, baggage handling, aircraft parking, flight planning, and other routine aircraft ground operations. Not only are our FBO facilities modern, private and secure to accommodate the world's most VIP passenger, but we also have comfortable lounges for pilots with snooze areas, showers, satellite TV and work stations.

What separates us from other private aviation service companies in this country is our attention to safety and security. When dealing with fuel and aircraft, the tiniest disregard for safety procedures can have potentially catastrophic results. Odyssey has a comprehensive insurance policy and our facilities have extensive surveillance systems. Additionally, every year our employees that handle aircraft go through rigorous training to be NATA Safety First trained and certified. This way we are confident that we are aligned with the best safety standards in the industry. It should go without saying that it is very important to be assured that you and your aircraft are being cared for by a reliable, trustworthy team.

Gateway

All technical talk aside, the truth is, when I am asked the question, "What is Odyssey Aviation?" I would be remiss if I did not mention Odyssey Aviation's ultimate purpose – acting as a physical gateway to this beautiful country and a symbolic one to the future.

Odyssey is slowly and strategically creating a larger footprint. Our most veteran FBO and Odyssey headquarters is in Nassau at the Lynden Pindling International Airport. We have a second full service FBO in Exuma at the Exuma International Airport. Two new locations on the island of Eleuthera at the Rock Sound and Governors Harbour Airports are now open. At the time I am writing this article, these new locations are "handling only" which means we do not offer fuel and aircraft ground services. But soon we hope to be in a position to supply fuel on Eleuthera. This will open the island up to many more development opportunities yet to be realized.

Being a gateway to The Bahamas comes with significant responsibility. An Odyssey Aviation professional is the first face and interaction a private pilot or passenger is going to see

and have. We ensure this interaction is positive and hassle-free by having one of our representatives meet every arriving aircraft. We efficiently escort our clients through the necessary entry routine. They leave our property happily on their way to their intended destination, be it an important business meeting downtown or taking off on a sea plane or yacht headed to their private island or second home. We are the very first impression of this fine country and we strive to represent it well.

We are a gateway to the future because we act as a conduit for visionaries to see all the potential The Bahamas has to offer. To understand this, you must first understand the type of customer we ultimately assist. The passenger in a private aircraft is more than likely one of the most affluent people in

the world. He or she tends to be the type of person that might invest multimillions into a high-risk venture, or decides to construct a mega development in an area where others see swampland. They are visionaries. These visionaries are productive, innovative, successful, and demanding individuals. They are less than 1% of the world's population that owns or travels in private aircraft. This is a very distinguished group to say the least.

To meet this type of customer's needs, Odyssey Aviation has to offer immaculate service, aligning their practices with the most distinguished brands in the world. And we must try to always be several steps ahead of our customers. We too are visionaries, anticipating where our customers' needs are going to take them. We have to always consider what properties or islands are going to demand private aviation services and be savvy enough to know what type of services the demand will require.

Of course, being a visionary and a pioneer at any level involves risk. When our FBO in Nassau opened over 15 years ago, we knew that healthy profits would only be realized years down the line. We have more recently invested in our new FBO on Great Exuma, and our handling locations on Eleuthera. Likewise, we don't expect to see a huge return on our investment for quite some time. But we believe in the future of this beautiful land and realize how important our role is. Not unlike other visionaries, we watch trends and look beyond the predictable targets to yet unforeseen prospects.

With all the glitz and glamour associated with travelling in privately owned or chartered aircraft we must not lose sight of the necessary business demands of the private aviation industry. A corporation's competitive advantage is often measured by getting an executive to his next business venture the fastest and most direct way possible. With four locations in The Bahamas, we are conveniently placed to provide the superior level of safety and swift service that only an independently run operation can offer. For this reason and many others, Odyssey Aviation is consistently recognized internationally as the #1 FBO in the Caribbean. We are proud to have become a prestigious private aviation service brand, and will only continue to flourish as a gateway to the future of The Bahamas.

Steven Kelly
CEO,
Odyssey Aviation

Steven Kelly is the CEO and one of the owners of Phoenix Aviation, dba Odyssey Aviation Bahamas; a Nassau based Fixed Base Operator (FBO) offering exceptional service and safety to the private aircraft industry. He oversees all aspects of the FBO operation, boasting an excellent team of managers, recurrent training programs, state of the art ground service equipment, and Rubis as the aviation fuel supplier. This formula has consistently led Mr. Kelly and his team to being voted the #1 FBO in the Caribbean in two of the industry's leading surveys.

Prior to beginning his career as CEO, Mr. Kelly worked as a fitter and welder in a structural steel fabrication shop, eventually becoming the managing director, and the sole owner of the business. The business flourished and expanded into the general contracting field, specializing in turn key metal building systems and custom built luxury homes, and at one time employed over 200 employees.

In June of 1996, he became the project manager personally responsible for the completion of a FBO executive terminal and aircraft storage hangar at the Nassau International Airport that would eventually become the property of Phoenix Aviation Limited that is now operated as Odyssey Aviation Bahamas. Mr. Kelly continues to be the lead person for the company's further development and expansion into additional markets, recently designing and managing the project for the construction and opening of a new state of the art FBO facility at Exuma International Airport.

Getting The Downtown Spirit

Building for the future

By Gevon Moss

As The Bahamas continues to position itself as a global international business and finance powerhouse, maintain industry and world standards to sustain its growth and presence, the financial industry sits for the most part in the middle of a developing city which pays tribute to both the historic nature and flair of the charm-filled Nassau of old, while meshing with a revitalized city equipped with social amenities that will rival those of most of the major financial industry city centres around the world.

Is there a correlation between improving a city and the improvement of financial service reputation and sustainability? The International Downtown Association (IDA) would assert the idea that improving the quality of life, and how a city is maintained is a catalyst for economic progress, but similarly improves business reputation across industries.

The Downtown Nassau Partnership (DNP) is the city of Nassau's change agent. The team that comprises Public and Private Sector big hitters has continued to propel and change the city to meet the demands of property owners, business owners and the local and visiting populations, while balancing the real need to redevelop the spirit and cultural elements that make Nassau a gem of a historic city. The task at hand

is a challenge as it constitutes a balancing act that very few around the world have been able to accomplish. With steadfastness, a clear road map of what needs to be done, knowing what is expected and how this will all tie together to make Nassau a city posed for continued improvement - and sustained at international quality standards - DNP is making significant inroads as it delivers on the promise of improving our downtown.

What is the road map?

The road map, while very strategic, only seeks to address the issues that constituents and stakeholders have raised. With more and more young professionals spending a great percentage of their time in downtown, it is becoming critically important to provide the kind of programming and atmosphere which can keep downtowners in the city after work. DNP has committed itself and has leaned on a team of experts with the formation of a sub-committee for Management, Sponsorships and Programming. The singular purpose of this group is to provide a schedule of events that make downtown attractive for residents and visitors, while showcasing the true cultural element of downtown.

There is a continued need to extend the hours of Bars and Restaurants and provide the necessary support that improves the quality of food and beverage in the city and the quality of the nightlife experience in downtown. Marketing Downtown has always been a challenge because of competing interests. There is a concerted effort now to bring many of the stakeholders to the table to see how by working together and using best practices as a collective, the nightlife culture improvements will equate to improvements in bar and restaurant revenues. Kris Higgs, an intern from the College of the Bahamas' Culinary and Hospitality Management Institute, is developing the Downtown Nassau Restaurant & Bar Association; this will harness the relationships needed to extend the hours of operation for one of the most critical amenities in cities. Additionally, it will seek to provide ongoing elements of music and events that will bring people into downtown on a regular basis. The DNR&BA will also take marketing of downtown restaurants and bar to a whole new level by creating a buzz in local and social media. The creation of customer loyalty programmes also will further enhance the downtown spirit.

Cleanliness and safety always have been the key elements of successful downtowns. The city of Nassau is now better able to grapple with these concerns having established a Downtown Tourism Police Unit, one that is specifically responsible for the downtown core. Additionally, on-going training exercises with partners in downtown will make this unit best prepared to handle the challenges that occur with city living. CCTV has covered the downtown core from street to street. It certainly will be a deterrent from crime, and provide a constant reminder that the eyes of the police are in downtown. From a cleanliness point of view, the refurbishment of sidewalks and curbing and the establishment of a full maintenance

programme will keep downtown walkways looking and feeling clean. The "bloomification" project that is set to begin in summer of 2013, will show case how nice downtown can look with local flora.

So if it is clean, safe, and with things going on…. All you need to do is get there!!

That too is being addressed. There are elements to improve the availability of parking through partnerships with old shipyards already underway. There will be an instant increase in the amount of short term parking availability specifically designed for people coming to downtown to shop and dine. Additionally, with an introduction of a 3-Loop shuttle system expected before the end of the year, park and ride options mean there is an increase in the ability for people to access the city, with the possible removal of hundreds of jitneys out of the downtown core.

How can one get involved?

The first thing to remember about downtown re-development is that it has to work parallel with a revitalization of infrastructure, but equally as important is the revitalization of the downtown spirit. It means taking care of existing buildings and taking care of new venues. It means supporting and attending events. It means volunteering to be a part of the solution either by contributing to the dialogue around how to improve our city, or rolling up the gloves and getting to the wheel. It means supporting the revitalization by committing time and energy to projects that seek to improve it. It means supporting downtown businesses, which will encourage them to stay open longer, hire more associates, and provide you more of what you desire. As DNP charges forward with the promise of creating a city we can be proud of, it requires that all hands are on deck. The financial support DNP receives ensures the work, the resources, and the expertise required are sustained, and on-going.

With successful projects completed and being maintained we know that there is growing confidence by the private and public sector on what can happen in downtown. Recently, Pompey Square was opened. It is being heralded as the first glimpse of the new Nassau. DNP has completed the first of many pedestrian zones – i.e. Marlborough Place (Near the Pirates Museum). In time to come, these spaces will become anchors to the revitalization program, while being the catalyst to surrounding business to improve the standard or be left behind.

Each day, almost 5000 people come to downtown Nassau to work. We walk the sidewalk, we work out, we eat, we party, we live in downtown. We must take care of downtown and downtown will take care of us. We can begin to attract the kinds of financial investors by being a great financial industry. We can also attract and sustain great investors by providing in our downtown the right environment to live, work, and play!

Gevon Moss

Project Manager
Downtown Nassau Partnership

Gevon R. Moss is Project Manager for the Downtown Nassau Partnership: After climbing the ladder in hospitality, he took a step into city development and realized there was no turning back. Over the past 3 years, he has been contributing his talents – with a "make it happen attitude" – through the DNP. He also sits on the Board of the International Downtown Association (IDA), and continues to leverage relationships to propel Nassau to the city it has to become. His academic background in Economics and Political Science has allowed him to help create the necessary political will and policies that support further development. His background in business makes it easier for him to see what value the Partnership can give to its many stakeholders. His Managing Director, Mr. Ed Fields, lauds him as a rising young star in city management and development.

A Generational Plan for the Environment

The pioneering conservationist Rachael Carson once wrote that "the more clearly we can focus our attention on the wonders and realities of the universe about us, the less taste we shall have for destruction."

Following in the footsteps of Carson and others, the mission of The Bahamas National Trust (BNT) is to conserve and protect the natural wonders and resources of the Bahamian archipelago by taking that other fork in the road - the one, in the words of Frost's famous poem, less traveled by. It is this road that, according to Carson, "offers our last, our only chance to reach a destination that assures the preservation of the earth."

For more than half a century, the BNT has sought to build and manage a protected area system for the benefit of present and future generations of Bahamians. In fact, we are believed to be the only non-governmental organisation in the world with the responsibility of managing an entire national park system. There are now 27 protected areas throughout the country, covering some two million acres, and including vast stretches of pine forest, tidal flats with schools of bonefish, extensive barrier reefs, the highest concentration of blue holes in the western hemisphere, the largest remaining breeding colony of West Indian flamingos, and critical marine wetlands that contribute to fisheries throughout the region.

We have achieved much over the last 50-plus years, but there are monumental environmental and conservation challenges facing the BNT, the country as a whole, and the world in which we live. To meet these challenges we aim to build an ecologically representative national park system that protects globally and nationally important biodiversity. This goal is supported by public education programmes that encourage more and more Bahamians to become stewards of our environment; and also by strong public advocacy for targeted policies that balance economic development with sound environmental management. Healthy ecosystems really are key to a sustainable economy, and protected areas are an important tool to maintain healthy ecosystems. They are also a pretty good bargain. For example, global estimates of coral reef net value are on the order of half a million dollars per square kilometre per year, while the management costs of marine protected areas can be less than $800 per square kilometre per year.

Recent studies demonstrate that ecosystems on Andros are worth about $260 million a year - 5 per cent derived from forests, 23 per cent from wetlands and 7 per cent from reefs. Commercial fishing (including crabbing and sponging) generates $70 million a year, while tourism produces $43.6 million. From our research, it is clear that 60 per cent of the Androsian economy is linked directly to the island's natural resources, and the long-term impact of depleting these resources will affect everyone's livelihood. This means that our future security can be addressed by protecting forests, reefs, creeks, crabs and bonefish.

Meanwhile, the Exuma Cays Land and Sea Park generated some $9 million in 2009, directly supporting over 100 jobs and almost 20,000 visitors. With secondary impacts, the net economic value was in the range of $12-20 million in 2009 - or as much as $374 million over the next 25 years. The bottom line is that a fine balance must be struck between enabling development and protecting heritage.

But protected areas require some level of investment - in planning, monitoring, management, enforcement, visitor facilities and public education. And, as noted earlier, one of the key issues for the BNT is involving local communities in the development of our national parks.

These BNT-managed protected areas bring huge advantages to nearby communities. They incorporate significant recreational opportunities and remove the threats of over-development, commercialization and exclusive use.

We have made significant investments to improve accessibility and upgrade the visitor experience at key national parks on New Providence, Grand Bahama, Andros, Exuma and Eleuthera. Many more improvements are planned to develop infrastructure, support ecotourism entrepreneurs, and expand nature-oriented activities for visitors and residents. We have also documented and proposed a range of new protected areas on several islands.

The BNT is working with the Ministry of Tourism to train eco-tour guides, and we will strengthen this partnership by developing and marketing park visitation experiences. We work closely with local communities and tourism providers to manage the negative impacts of tourism and promote sustainable use of our natural resources.

Research and monitoring are key tools in the conservation of protected areas. In order to effectively manage protected areas it is necessary to understand the local ecology, as well as the expectations and demands of visitors. Our Science Division

currently is evaluating the extinction risk of Bahamian species and subspecies in order to convey the urgency of conservation issues that affect these species to policymakers.

We have also partnered with the government and other environmental groups to launch a national 'conchservation' campaign to advocate new management policies and create wider public awareness of the need for a sustainable fishery. Studies show that conch densities are declining to levels that will be unable to sustain the populations. This three-year programme is supported by funding from the Moore Bahamas Foundation, the Bahamas Marine Exporters Association, the Sandals Foundation and other private donors.

Public involvement in the long-term sustainability of our national parks is critical to help overcome threats from overfishing, habitat destruction, development, pollution and climate change. Our Partnership for the Parks programme provides an avenue for BNT members and corporate citizens to help with national park infrastructure and fundraising activities, or serve as volunteer visitor guides.

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Although the BNT has enjoyed significant growth over the past five years, we are painfully aware that the key to the future is sustainable finance and an expanded membership roll. Operating an organization across so many islands presents complex challenges, requiring concentrated effort and significant resources.

Currently, the BNT operates on an annual budget of approximately $3.5 million. About a third is provided by government and the remainder is generated from corporate donors or through other philanthropic fundraising efforts. Our goal is to raise $32 million for an endowment fund to support the long-term management needs of our national parks.

At the same time as we grow the endowment, we will continue our focus on involving the public in supporting our work through memberships and general donations, as well as philanthropic funding support for specific programmes. We will also use our national parks to fund conservation work via user fees, special events and merchandise sales.

The future of these islands is directly linked to, and dependent upon, the BNT's level of success in managing and leveraging our national parks. The resources these parks protect and the benefits they yield help to determine the quality of life for everyone living in this fragile chain of islands, raised from these shallow seas.

And as Rachael Carson so eloquently put it: "The lasting pleasures of contact with the natural world are not reserved for scientists but are available to anyone who will place himself under the influence of earth, sea and sky and their amazing life."