



Press Release

Statement from the Hon. K. Peter Turnquest, Deputy Prime Minister and Minister of Finance Regarding Financial Sector Reform

3rd January 2019

In an effort to enhance the Financial Services Sector, the Government of The Bahamas is developing a new framework aimed at strengthening industry regulations and protecting revenues to the Public Treasury.

By demonstrating our commitment to global standards, we are working to maintain The Bahamas' competitive edge as a global leader in the financial services industry and ensure that the country's second economic pillar remains vibrant over the medium and long term.

The establishment of this new framework follows broad consultation with industry representatives in both the private and public sectors, some of whom are represented here this morning. We also sought input from international tax advisors.

Under the framework, all financial institutions will now be permitted to offer services to both domestic and international clients, provided that the financial institution meets the prescribed regulatory requirements in respect of the services offered.

It will remove any difference in the fiscal treatment of financial institutions that cater primarily to the domestic markets and those financial institutions that cater to international clientele. This is essential to removing the preferential treatment of specific businesses as implemented under the recently passed *Removal of Preferential Exemptions Act (2018)*.

The new framework, which is intended to take effect as of 1st January, 2019, proposes that financial institutions, including banks, insurance, trust companies, investment advisers, mutual fund administrators, broker/dealers and other regulated financial

services entities, will be exempted from paying a Business License fee when renewing or applying for a license, starting January 2020.

In lieu of Business License fees, financial institutions will be subject to a three-tiered system, as follows:

1. All financial institutions will pay a flat registration fee which will be set on a sliding scale between two thousand two hundred and fifty dollars (\$2,250.00) and two hundred and fifty thousand dollars (\$250,000) per annum, although smaller institutions like credit unions will pay much lower fees, as is currently the case. The applicable fee will be determined primarily by the operational complexity of the institution, which aligns with the level of resources expended to regulate financial institutions based on their respective size and complexity;
2. All financial institutions that are deemed systemically important, as determined by their degree of integration into the domestic financial system, will be subject to an additional fee in respect of Bahamian Dollar liabilities and contingencies. This reflects the need to mitigate the threat that any domestically systemically important institution can pose to the entire Bahamian financial system; and
3. Any bank wishing to access the domestic payments system, and/or wishing to operate as an Authorized Agent for Bahamian Dollar transactions, will be charged fees reflecting the substantial supervisory and management costs of these arrangements for the Central Bank of The Bahamas and other public sector agencies.

Companies incorporated in The Bahamas under either the *Companies Act* or the *International Business Companies Act* – with the exception of those financial institutions already mentioned – will be required to register under the *Business License Act* and pay a value-based Business License fee.

As a result of recent amendments made to the *Business License Act* to streamline the application process, companies will be able to apply for a provisional license that can be processed in a matter of days.

Moving forward, a company's Business License fee will be calculated by reference to the value of any positively rated taxable supplies made in that year, charged at a rate of between zero percent (0%) and two-and-a-half percent (2.5%) of that value, as may be prescribed by the Minister of Finance.

It is important to point out that the new regulatory regime for financial institutions, and the planned changes within the business license regime, are not expected to have a material impact on what respective businesses currently pay into the Public Treasury in terms of regulatory and business fees. The changes are intended to be revenue neutral

and the financial sector will continue to bear its current fiscal obligations; this will not be passed on to any other sector or segment of the economy.

This new framework follows the recent passage of a package of legislation aimed at implementing measures that will ensure compliance with international standards on tax governance and transparency. Legislation included the *Commercial Entities (Substance Requirements) Act*; the *Removal of Preferential Exemptions Act*; the *Register of Beneficial Ownership Act*; and the *Multinational Entities Financial Reporting Act*.

The commitment to these standards by The Bahamas – and the endorsement of the Government’s adoption of these standards by all key stakeholders – is a clear indication that The Bahamas is prepared to take reasonable steps to demonstrate it is a jurisdiction that can and will compete within the parameters of global standards for commercial marketplaces.

Over the coming months, the Government will make the necessary legislative adjustments to allow for the implementation of the new framework, and in the coming weeks we will continue to engage all stakeholders to ensure an outcome that is best for our nation.

Let me be clear, while The Bahamas is committed to taking progressive steps to adjust to the requirements of operating in the constantly evolving paradigm that is the global financial system, we will uphold our sovereign right to do what is in the best interest of our economy and what is most aligned with our economic development, at all times.

We remain concerned, and have voiced these concerns in international forums, about the appearance of shifting goal posts when it comes to The Bahamas and other international finance centres. We will continue to press and argue this point in the international arena.

We expect that our demonstrated commitment to operate within the framework of mutually agreed standards, that are accepted by all stakeholders, will allow The Bahamas and the global community to move forward and get down to the work of doing business in a marketplace characterized by more transparent rules that lead to equity and fair competition.

I also want to underscore that it is important that we strike the right balance between economic sustainability and compliance with international standards, as the stability and success of our country’s financial services sector impact every aspect of our economy, and by extension, our way of life.