BFSB NEWSLETTER

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WHAT'S INSIDE:

DOMESTIC UPDATES: Industry developments in the domestic financial services market.

INTERNATIONAL & REGIONAL NEWS: Regional & international initiatives and news of interest to industry stakeholders.

DOMESTIC UPDATES

FIU

FINANCIAL INTELLIGENCE UNIT PUBLIC NOTICE: CONSULTATION DOCUMENTS – FIU BILL AND REGULATIONS

The Financial Intelligence Unit on behalf of the Ministry of Finance has issued the following documents for public consultation:

- Financial Intelligence Unit Bill, 2021
- Financial Intelligence (Transactions Reporting) Regulations, 2021

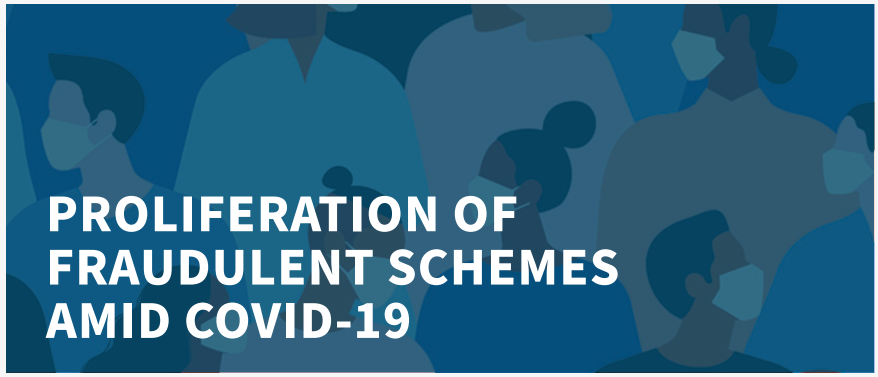
All comments are to be sent to fiulegislation-consultation@fiubahamas.bs. The consultation period ends on Wednesday 12th May, 2021. Click here to view the consultation documents.

SECURITIES INDUSTRY (AMENDMENT) REGULATIONS, 2021

The Securities Commission of The Bahamas has issued the following documents for public consultation:

- Securities Industry (Amendment) Regulations, 2021;
- Draft Securities Industry (Financial Resources) Regulatory Rules, 2021; and
- Draft First Schedule to Securities Industry (Financial Resources) Regulatory Rules, 2021 – Form FRR.

The consultation period ends on Friday, 7th May, 2021. You can either submit any feedback you have directly to the Securities Commission to sia@consultation@scb.gov.bs or you can email them to BFSB at fjoseph@bfsb-bahamas.com by Monday, 3rd May, 2021. All feedback sent to BFSB will be consolidated and submitted to SCB. Click here to access the consultation documents.



PROLIFERATION OF FRAUDULENT SCHEMES AMID COVID-19

The COVID-19 pandemic has caused a proliferation of fraudulent schemes globally, which have been pervasive in The Bahamas, according to the Securities Commission of The Bahamas (SCB). SCB Executive Director Christina Rolle said she has personally seen instances where Bahamians have lost their life savings to Ponzi and pyramid schemes that have in recent years infiltrated the Bahamian investment market. "During the pandemic one of the things we saw was a huge uptick-and we still see it going on - in the amount of fraudulent schemes out there. This is something all of our regulator colleagues around the world are reporting. In fact, we are on the board of the International Organization of Securities Commissions (IOSCO) and this is something that has gotten the board's attention the proliferation of fraudulent schemes. Certainly, we have seen that it is pervasive in our market," she said. SCB issued warning on several companies it said may be conducting illegal activities in The Bahamas and whom members should exercise "extreme caution" toward when considering engaging. A list of these companies can be viewed here. Click here to read more on this.

MONTHLY ECONOMIC AND FINANCIAL DEVELOPMENTS (MEFD) FEBRUARY 2021

The During the month of February, domestic economic developments continued to be driven by the Novel Coronavirus (COVID-19). Travel restrictions imposed globally continued to impede tourism output, with the high value-added air component remaining depressed and the sea segment on pause. Nonetheless, foreign investment-led projects, combined with post hurricane reconstruction efforts, provided some stimulus to the construction sector. In price developments, the domestic inflation rate narrowed during the twelve months to January, explained by lower fuel costs.

Monetary developments registered a reduction in bank liquidity, as the expansion in domestic credit, contrasted with the decline in the deposit base. Similarly, external reserves decreased, amid a falloff in foreign currency inflows from real sector activities. Click here to read more.

INTERNATIONAL & REGIONAL NEWS

NO OR ONLY NOMINAL TAX JURISDICTIONS FIRST EXCHANGE INFORMATION ON THE SUBSTANCE OF ENTITIES

At the end of March 2021, 12 no or only nominal tax jurisdictions (Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, United Arab Emirates) began carrying out their first information exchanges pursuant to the Forum on Harmful Tax Practices (FHTP) standard on substantial activities. The exchanges not only provide key data on the substance and activities of entities in no or only nominal tax jurisdictions to the jurisdictions in which the immediate and ultimate parent and the beneficial owners of the entities are resident, but also enable receiving tax administrations to carry out risk assessments and to apply their controlled-foreign company, transfer pricing and other anti-base erosion and profit shifting provisions. In addition, the FHTP has commenced its annual monitoring of the compliance of the twelve no or only nominal tax jurisdictions with the FHTP Standard. Read more here.

WORLD BANK AMONG CALLS FOR RESTRAINT ON GLOBAL PANDEMIC TAX

The head of the World Bank has warned world leaders against setting a global minimum tax rate for companies that is too high, and other industry experts have also called for restraint. David Malpass, World Bank president, said in a BBC interview he did not want to see new rules that would hinder poor countries' ability to attract investment. The 21% global minimum rate called for by the US Treasury Secretary Janet Yellen "strikes me as…high", he added. Yellen has argued for all countries agree to a minimum tax rate of 21%, while president Joe Biden wants the US to set the rate higher at 28%. The UK is also looking to raise taxes on corporations from 19%, up to 25% in 2023. The Organisation for Economic Co-operation and Development (OECD) had focused on a minimum corporate rate of 12.5% in earlier talks. Read more on this here.

PUBLIC CONSULTATION ON FATF DRAFT GUIDANCE ON A RISK-BASED APPROACH TO VIRTUAL ASSETS AND VIRTUAL ASSET SERVICE PROVIDERS

The Financial Action Task Force (FATF) is updating its Guidance on the risk-based approach to virtual assets (VAs) and virtual asset service providers (VASPs). The FATF originally published this Guidance in June 2019 when the FATF finalised changes to its Standards to clearly place anti-money laundering and countering the finance of terrorism (AML/CFT) obligations on VAs and VASPs. In July 2020, the FATF committed to update this Guidance as set out in its 12-month review report and report to G20 on so-called stablecoins.

This revised document provides updated guidance in six main areas to (1) clarify the definitions of VA and VASP to make clear that these definitions are expansive and there should not be a case where a relevant financial asset is not covered by the FATF Standards, (2) provide guidance on how the FATF Standards apply to so-called stablecoins, (3) provide additional guidance on the risks and potential risk mitigants for peer-to-peer transactions, (4) provide updated guidance on the licensing and registration of VASPs, (5) provide additional guidance for the public and private sectors on the implementation of the 'travel rule' and (6) include Principles of Information-Sharing and Co-operation Amongst VASP Supervisors. The Guidance has also been updated to reflect the passage of time and the publication of other relevant reports.

The FATF is consulting private sector stakeholders before finalizing the revisions to the Guidance. All feedback is to be submitted to FATF.Publicconsultation@fatf-gafi.org, by 20th April, 2021. Please click here to read more and to access the revised document.

NEW US TAX PLAN TARGETS MULTINATIONAL PROFIT-SHIFTING

The new US administration has published a plan to tax foreign-source income of US multinational corporations at a much higher rate and reduce incentives for companies to make offshore investments. The Made in America Tax Plan Report's headline policy increases the federal corporate income tax rate from 21 to 28 percent. The most significant of the Report's proposals relate to the taxation of foreign profits.

President Biden proposes to revise the Global Intangible Low Taxed Income (GILTI) tax rate, by raising the effective rate from 10.5 to 21 per cent and to calculate this on a country-by-country basis so that income earned in low-tax-rate countries would become subject to GILTI. This would prevent multinationals avoiding the GILTI tax by diluting the income from subsidiaries operating in low-tax-rate countries with income from those in high-tax-rate countries.

Significantly for international business, the Report commits to seek a global agreement on a minimum corporation tax rate currently under intense discussion at the OECD and G20 base erosion and profit shifting (BEPS) meetings. The plan will also replace the US' base erosion and anti-abuse tax (BEAT) with a regime that denies tax deductions to US-owned multinationals that make payments to foreign persons in jurisdictions that have not adopted the minimum tax.

Read more here.

INTERNATIONAL & REGIONAL NEWS

G-20 TO SEEK AGREEMENT ON GLOBAL MINIMUM TAX RATE BY MID-2021

On 7th April, 2021, Finance Ministers from the Group of 20 leading economies said that they hope to agree on a minimum tax rate for company profits by the middle of this year as part of a wider overhaul of the way international businesses are taxed. While a minimum tax rate appears to have widespread backing among governments around the world, one issue that may prove difficult to settle is the level at which that rate would be set. President Biden is proposing to raise the corporate tax rate to 28% from 21%, which would push the U.S. from the middle of the pack among major economies to near the top.

The Biden plan would also impose a 21% minimum tax on U.S. companies' foreign income. If the U.S. raises its tax rates and imposes higher burdens on U.S. companies' foreign profits, a global minimum tax would help prevent companies based in other countries from having a potentially big competitive advantage in the form of lower tax costs.

While European governments mostly support a global minimum tax rate, with Germany a particularly enthusiastic backer, they are more interested in the other changes to taxation that have been under negotiation over recent years.

Click here to read more.

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