



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.

UPCOMING EVENTS

DOMESTIC UPDATES ▼

BAHAMAS CHEQUE ELIMINATION STRATEGY



The Central Bank of The Bahamas (CBOB) has begun consultations with banks, credit unions and other payment services providers on a strategy to eliminate all use of domestic cheques by the end of 2024.

Wider public consultation is also being initiated to ensure that the strategy delivers on outcomes that are efficient, financially inclusive and supportive of further development of the domestic financial system and economy.

A Bahamian reduction and elimination strategy will proactively address financial inclusion and promote legitimate access to alternatives, for both individuals and businesses.

The elimination strategy also proposes to provide adequate public education around the use of digital alternatives and consider positive and consistent pricing incentive structures across the financial sector.

Read more [here](#).



On Friday, 7th January, 2022, the European Commission adopted a new regulation to update the EU AML Blacklist, including delisting The Bahamas from the list of Third-country Jurisdictions which have Strategic Deficiencies in their AML/CFT Regimes (AML Blacklist). It has now been shared with the European Parliament and Council for formal consultation. In its assessment, the Commission concluded that The Bahamas has addressed the strategic deficiencies previously identified by the Commission in its AML CFT regime considering the available information. After such consultation, the regulation will be published in the Official Journal of the European Union and entering into force 20 days after its publication. Read more [here](#).

THE BAHAMAS 4TH FOLLOW-UP REPORT: THE BAHAMAS IS COMPLIANT WITH 18 RECOMMENDATIONS AND LARGELY COMPLIANT WITH 20 RECOMMENDATIONS



A follow-up report issued by the Caribbean Financial Action Task Force (CFATF) has reassessed The Bahamas from partially compliant to largely compliant on FATF recommendations 6, 7, 24 and 33 and from partially compliant to compliant on recommendations 19, 22, 26, 27 and 28. The jurisdiction is now largely or fully compliant on 38 out of the 40 FATF recommendations. The Bahamas will work toward improving compliance with recommendation 8 (concerning non-profit organisations)

and recommendation 15 (concerning virtual assets), both of which have been substantially amended by FATF since The Bahamas' last mutual evaluation report. Read more [here](#).

DOMESTIC UPDATES ▼



RECOVERY PLANNING GUIDELINES 2021, INDUSTRY CONSULTATION

The Central Bank of The Bahamas has released for a 60-day consultation period, its Draft Recovery Planning Guidelines that will serve as a general guide to implementing a supervised financial institution's (SFI's) recovery plan.

These Guidelines represent another step in modernizing the recovery and resolution framework for banks and credit unions in The Bahamas, in line with international best practices. The consultation paper summarizes key elements which the Central Bank expects SFIs to include in their recovery plans.

The consultation period will end on 18th February, 2022. Comments and questions regarding the proposed document should be directed to the following: Policy Unit, Bank Supervision Department - policy@centralbankbahamas.com.

Click [here](#) to access the consultation document.

INTERNAL AUDIT GUIDELINES 2021, INDUSTRY CONSULTATION

The Central Bank of The Bahamas has released for a 60-day consultation period, its Draft Internal Audit Guidelines that propose supervisory guidance for assessing the effectiveness of the Internal Audit function in Supervised Financial Institutions ("SFIs"). The Central Bank endorses the Basel Committee's paper entitled The Internal Audit Function in Banks issued in June 2012.

A strong internal control framework including an independent, effective internal audit function is part of sound corporate governance. Further, an effective internal audit function provides vital assurance to a SFI's Board of Directors, senior management and the Central Bank as to the quality of the SFI's internal control system. The consultation period will end on 11th February, 2022. Comments and questions regarding the proposed changes should be directed to the following: Policy Unit, Bank Supervision Department - policy@centralbankbahamas.com.

Please click [here](#) to view the consultation document.

MONTHLY ECONOMIC AND FINANCIAL DEVELOPMENTS

During the month of November, the domestic economy maintained its measured pace of recovery, withstanding the ongoing spread of the COVID-19. In this context, tourism output continued to improve, amid sustained gains in the high value-added air segment and the modest rise in sea traffic, as vaccination efforts progressed.

Monetary developments were marked by a build up in bank liquidity, despite the reduction in domestic credit, trailing the contraction in the deposit base. However, external reserves decreased during the review month, reflective of the seasonal increase in foreign currency outflows through the public sector.

Click [here](#) to read more.

INTERNATIONAL & REGIONAL NEWS ▼

OECD RELEASES PILLAR TWO MODEL RULES FOR DOMESTIC IMPLEMENTATION OF 15% GLOBAL MINIMUM TAX



The OECD has published detailed rules to assist in the implementation of a landmark reform to the international tax system, which will ensure Multinational Enterprises (MNEs) will be subject to a minimum 15% tax rate from 2023.

The Pillar Two model rules provide governments a precise template for taking forward the two-pillar solution to address the tax challenges arising from digitalization and globalization of the economy agreed in October 2021 by 137 countries and jurisdictions under the OECD/G20 Inclusive Framework on BEPS. The rules define the scope and set out the mechanism for the so-called Global Anti-Base Erosion (GloBE) rules under Pillar Two, which will introduce a global minimum corporate tax set at 15%. The minimum tax will apply to MNEs with revenue above EUR 750 million and is estimated to generate around USD 150 billion in additional global tax revenues annually. The GloBE rules provide for a coordinated system of taxation intended to ensure large MNE groups pay this minimum level of tax on income arising in each of the jurisdictions in which they operate. The rules create a “top-up tax” to be applied on profits in any jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum 15% rate. Click [here](#) to view the full report.

EU SHELL COMPANY DIRECTIVE WILL INTRODUCE ‘MINIMUM SUBSTANCE’ TEST



In December 2021, the European Commission (EC) published its draft Council Directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU (the Directive).

The measures set out in the draft Directive fall into two categories: a set of indicators for deciding whether a given entity is or is not a shell and a set of sanctions to be applied to companies deemed to be shells.

To help identify shell companies, Member States’ authorities will automatically exchange information on all entities in scope of the Directive, whether shell entities or not. Member States will also have the power to request another Member State to conduct a tax audit of any entity that reports there and to communicate the outcome to the requesting Member State.

The EC hopes the proposal will come into force on 1st January, 2024, but it first has to be adopted by all Member States. Click [here](#) to view the updated Guidance.

EU PUSHES ON WITH GLOBAL MINIMUM TAX RATE DESPITE US STALEMATE

The European Commission laid down a marker Wednesday on global efforts to force the world’s largest companies to pay €150 billion more in annual tax after announcing proposals that would cement a new global minimum corporate tax rate across the 27-country bloc. Brussels’ efforts come despite a setback in Washington, where President Joe Biden’s efforts to pass domestic legislation bringing United States tax law in line with the new international agreement fell short over the weekend after prominent Democratic Senator Joe Manchin of West Virginia blocked those plans. Read more [here](#).

INTERNATIONAL & REGIONAL NEWS ▼

IMPLICATIONS OF THE STALLING OF THE US BUILD BACK BETTER ACT (BBBA) ON GLOBAL MINIMUM CORPORATE TAX

Globally, countries are moving toward harmonizing tax rules for multinationals, but stalled talks on the Build Back Better Act (BBBA) in the United States means new uncertainties for a global agreement and for taxpayers. Despite the 2017 U.S. tax reform serving as inspiration for current discussions of a global minimum tax, the policy being discussed at the international level is different from the minimum tax in the U.S. tax code. The BBBA would have made substantial changes to the U.S. minimum tax with a goal of setting rules that mirror the template agreed upon by nearly 140 jurisdictions in October, 2021. Since the prospects of the BBBA becoming law have dimmed, it is worth exploring what that means for U.S. companies that might be caught between the different rules. Read more [here](#).

INTERNATIONAL TAX: US AND MALTA AGREE JOINT CRACKDOWN ON PENSION PLAN ABUSE

The US and Malta have signed an agreement confirming their understanding of the meaning of pension fund under the United States-Malta income tax treaty, in a statement by the US Internal Revenue Service. This came to light after both authorities found that US taxpayers with no connection to Malta were misconstruing the pension provisions of the Treaty to avoid income tax on the earnings of, and distributions from, personal retirement schemes established in Malta. The IRS has cautioned taxpayers against entering into any substantially similar arrangements that would seek to misconstrue the provisions of a bilateral income tax treaty of the United States to avoid income tax. Read more [here](#).

THE SWISS FEDERAL COUNCIL HAS PUBLISHED A DRAFT BILL AIMED AT INTRODUCING TRUSTS INTO SWISS LAW

The proposed provisions, which will be included in a new chapter of the Code of Obligations, will enable trusts to be used to structure private assets and for commercial transactions. According to the Swiss Federal Council, trusts are playing an increasingly important role in practice and it wants to provide Swiss clients with an alternative to turning to foreign countries to set up trusts. A regulatory impact assessment confirmed that trusts responded to a need among clients for structuring their succession and inheritance. Read more [here](#).

UPCOMING EVENTS ▼

FORUM FOR IMPACT - "BUILDING BRIDGES FOR IMPACT ACROSS THE AMERICAS" MAY 18- 20, 2022

Co-sponsored by BFSB with The Ministry of Financial Services, Trade and Industry and Immigration and The Ministry of Tourism, Forum for Impact under the theme "Building Bridges for Impact Across the Americas" will take place in Nassau November 17-19, 2021. It will bring together HNWIs, Family Office principals and investors to "engage the unengaged" in discussions on impact and investment to help build sustainable legacies. Between 60 to 80 HNW/UHNW individuals are expected to attend the event. It will be an opportunity to showcase our private wealth management pedigree and why The Bahamas is an ideal hub for Family Offices.

WORLD CAPTIVE FORUM FEBRUARY 9-11, 2022

The First Annual Latin America Advisory & Banking Summit promises to be a one day completely live meeting for financial advisors and bankers serving markets across Latin America, the Caribbean and South Florida. Conversations at the event are based on 20+ years in the industry and will focus across Asset Allocation, Wealth Structuring, Planning, Country and Regionally Specific Issues, Marketing an Advisory Firm and M&A in the industry.

CICA – CAPTIVE INSURANCE ASSOCIATION CONFERENCE MARCH 6-8, 2022

BFSB is also sponsoring the Captive Insurance Association Conference which will take place in Arizona in March 6-8, 2022. CICA brings together the best captive professionals from around the world to explore new uses of captives, to engage new talent, and to outline best practices.