

**WHAT'S INSIDE:****BFSB  
UPDATES****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****BFSB UPDATES ▼****BFSB HOSTS ANNUAL BREAKFAST BRIEFING IN NEW YORK****THE BAHAMAS FINANCIAL SERVICES**

**BOARD** partnered with Hedgeweek to host BFSB's Annual Bahamas Breakfast Briefing under the theme "The Bahamas 360: The Complete & Compelling Choice". The event was held at the University Club of New York on February 28th, 2023. This exclusive one-day gathering provided an opportunity for NYC based service providers and advisers to hear from expert Bahamian practitioners on the full range of wealth management services offered in The Bahamas and Q&A with the audience and panelists of each session.

Sen. Hon. Michael Halkitis, Minister of Economic Affairs, brought opening remarks. The session began with a fireside chat entitled "Balancing Innovation with Regulation". This was moderated by our CEO & Executive Director, Dr. Tanya McCartney, who engaged Mrs. Michele Fields, Superintendent of the Insurance Commission of The Bahamas in a Dialogue which focused on the regulatory regime for captives and international insurance.

This was followed by a roundtable discussion on "The Bahamas Value Proposition: Product and Services Deep Dive" which was moderated by Angele Paris, Head of Partner Projects at Global Funds Media.

The industry participants included: Mrs. Christel Sands-Feaste, Partner at Higgs & Johnson; Ms. Aliya Allen, Partner at Graham Thompson; Ms. Wendy Warren, Managing Director at Caystone; Dr. Iyandra Smith-Bryan, COO at Quantfury; Mr. Paul Winder, Deltec Bank & Trust CEO & MD at Deltec Fund Services Limited, and Mr. Antoine Bastian, CEO at Genesis Fund Services.

Topics covered included:

- The key advantages of The Bahamas as an IFC
- The types of Investment Funds under Bahamian Law
- Wealth Management Strategies
- Private Wealth Management offerings
- Developments in ESG

**BAHAMAS FINANCIAL SERVICES BOARD (BFSB) SPONSORS 32ND ANNUAL WORLD CAPTIVE FORUM**

BFSB was once a Gold sponsor of the 32nd Annual World Captive Forum which was held at Trump National Doral in Miami, Florida from February 1-3, 2023. This 3-day event, hosted by Business Insurance, is an educational opportunity on the captive industry with educational sessions, roundtable discussions, exhibit hall, and networking opportunities. Captive insurance is a cost-effective alternative of insurance for business owners to have complete financial control and manage their own risks. With the captive industry, events such the World Captive Forum presents a platform for trending topics to be discussed by CEOs, managers, and regulators of the captive insurance industry.



The representatives of The Bahamas attending World Captive Forum included Mrs. Michele Fields, Superintendent of Insurance, Mr. Carl Culmer, Manager of Policies and Practices, and Mr. Gerard Lightfoot, Supervision Unit of Insurance Commission of The Bahamas, Dr. Tanya McCartney, CEO and Executive Director, and Ms. Rianna Sobiech, Marketing and Special Projects Associate of Bahamas Financial Services Board, and Mr. Guilden Gilbert, CEO of Chandler Gilbert Captive Managers.

## DOMESTIC UPDATES ▼

### THE BAHAMAS GOVERNMENT TABLES THE COMMERCIAL ENTITIES (SUBSTANCE REQUIREMENTS) (AMENDMENT) BILL, 2023 IN THE HOUSE TO BRING ECONOMIC SUBSTANCE IN LINE WITH INTERNATIONAL STANDARD

In July 2022 the OECD made recommendations to The Bahamas as one of four jurisdictions whose enforcement of the substantial activities' standard needed 'substantial improvement'. This was followed in October 2022 by the EU's addition of The Bahamas to its list of non-cooperative jurisdictions for tax purposes, because of deficiencies in enforcing its economic substance reporting regime combined with its zero-or nominal-only rate of corporate income tax. The new amendment to the Act aims to update the jurisdiction's regulatory framework so that it is in line with latest international standard for corporate entities to have economic presence in a jurisdiction. It provides for simplified exchanges of electronic returns and more efficient timeliness for compliance with the Act. The government is also working on other avenues towards increased compliance, principally an overhaul of the electronic portal that is intended to allow Bahamas-domiciled entities to file their economic substance reports through the Department of Inland Revenue. View the Amendment Bill [here](#).

### NEW COMPANIES REGISTRY SYSTEM UPDATE

As an update on the new Companies Registry System, the Attorney-General has advised that internal pilot testing for the new system is anticipated to commence this month with pilot testing by a small group of industry participants by the end of the first quarter. Read more [here](#).

### ATTORNEY-GENERAL SEN. HON L. RYAN PINDER, K.C. PROVIDES UPDATE ON INTERNATIONAL INITIATIVES AT THE INDUSTRY BRIEFING



During his remark at the Industry Briefing held on February 6th, 2023, the Attorney-General gave a brief update on matters related to FATF and Legal Arrangements/Trusts as well as Tax Reform.

#### FATF and Legal Arrangements/Trusts

Given the importance of the trust industry to The Bahamas, it is important to note that additional regulation on the beneficial ownership of legal arrangements and trusts may be forthcoming. Following the June 2022 plenary meeting of the global Financial Action Task Force (FATF), the anti-money laundering (AML) standards body has published a consultation paper on revisions to its Recommendation 25, regarding transparency and beneficial ownership of legal arrangements such as trusts.

Recommendation 25 currently requires trustees to obtain and hold information on beneficiaries or classes of beneficiaries. FATF is considering setting the nexus of such obligations to countries where the trustees reside or where the trusts are administered. FATF has asked consultation

respondents whether it should create a separate, standalone definition of 'beneficial owner' in the context of legal arrangements, distinct from that for legal persons and also seeks suggestions on strengthening the requirement for countries to have access to beneficial ownership information in respect of legal arrangements. These clearly will have material implications for our trust business in The Bahamas.

#### **Tax Reform**

In July 2021 the Government of The Bahamas expressed its support, for the proposals of the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting to reform the global taxation system. This would have us impose a corporate income tax on businesses in The Bahamas with gross annual earnings of 750 Million Euros or greater. A corporate income tax is clearly a novel approach in The Bahamas and will have significant regulatory reform for the country in tax administration, affecting almost every area of the cross-border economy.

The OECD/G20 Inclusive Framework on BEPS released just this week technical guidance to assist governments with implementation of the landmark reform to the international tax system, which will ensure multinational enterprises (MNEs) will be subject to a 15% effective minimum tax rate. As continued guidance is released by the OECD, we will have to advance our regulatory reform on taxation to ensure that we are compliant and have a new corporate tax regime. Read more [here](#).

#### UPCOMING EVENTS

**Wealth Briefing  
Panel Discussion  
March 23, 2023**

**Risk Insurance  
Management  
Society (RIMS)  
April 30 – May 3, 2023**

**Bahamas Briefing  
London  
June 28th, 2023**

## DOMESTIC UPDATES ▼

**THE SECURITIES COMMISSION OF THE BAHAMAS: PROJECT BUTTERFLY**

The Securities Commission has set out a digital transformation initiative dubbed “Project Butterfly”, that will ease business for constituents and improve both our operational efficiency and regulatory effectiveness.

The two-phase project takes a holistic approach to modernizing the Commission’s information management needs. Phase 1 commenced 27 May 2022 and is expected to launch within the first quarter of 2023.

Project Overview

- Analysis, digitization. Integration and management of over 100 business processes into a central repository with a view to streamline and improve each where appropriate and improve constituents’ experience.
- Implementation of a completely redesigned CoRI (Compliance and Regulatory Interface) Filings Portal, enhanced with history and live submission tracking.
- New SCB Intranet Portal for intradepartmental automation of workflows and task management.

Read more [here](#).

## INTERNATIONAL &amp; REGIONAL NEWS ▼

**OUTCOMES FROM FATF PLENARY, 22-24 FEBRUARY 2023****FATF suspends membership of the Russian Federation**

The Russian Federation’s continuing and intensifying war of aggression against Ukraine runs counter to FATF’s principles of promoting security, safety and the integrity of the global financial system and the commitment to international cooperation and mutual respect upon which FATF Members have agreed to implement and support the FATF Standards. As a result, the FATF Plenary has suspended the membership of the Russian Federation. Read more [here](#).

**Guidance Document for Revised Recommendation 24**

The FATF Plenary has now finalised a guidance document which will help countries implement the revised requirements of Recommendation 24. This also includes assessing and mitigating the money laundering and terrorist financing risks associated with foreign companies to which their countries are exposed. This guidance aims to facilitate the implementation of the necessary measures so that shell companies can no longer be a safe haven for illicit proceeds with links to crime or terrorism. The guidance will be published in March 2023. Read more [here](#).

**Enhancements to Recommendation 25 (Beneficial Ownership of Legal Arrangements)**

The Plenary also agreed on enhancements to Recommendation 25 on legal arrangements to bring its requirements broadly in line with those for Recommendation 24 on legal persons to ensure a balanced and coherent set of FATF standards on beneficial ownership. FATF will start working on a guidance document to help countries implement the revised requirements of Recommendation 25. Read more [here](#).

**Improving implementation of FATF requirements for virtual assets and virtual asset service providers**

The plenary has agreed on a roadmap to strengthen implementation of FATF Standards on virtual assets and virtual asset service providers, which will include a stock take of current levels of implementation across the global network. In the first half of 2024, the FATF will report on steps FATF members and FSRB countries with materially important virtual asset activity have taken to regulate and supervise virtual asset service providers. Read more [here](#).



## INTERNATIONAL & REGIONAL NEWS ▼



### OECD GUIDANCE ON MINIMUM TAX – PILLAR 2

The OECD has published technical guidance for implementation of Pillar 2, the global minimum tax agreement. The Guidance will be incorporated into the Commentary on Pillar 2 issued in March 2022. The latest guidance identifies the US GILTI rules as a blended CFC regime for purposes of the OECD Globe rules, and sets out the modality of allocation of taxes under such a blended regime. A blended CFC tax regime aggregates income, losses, and creditable taxes of all the CFCs for the purposes of calculating the shareholder's tax liability under the regime and that has an applicable rate of less than 15%. The original proposal of President Biden to US Congress envisaged increase of the GILTI rate and country-by-country/jurisdictional application in order to bring it in line with the agreement reached at OECD level. With the passing of the Inflation Reduction Act (IRA), US Congress Republicans and notably the Democratic Senator Joe Manchin citing fears of loss of revenue for US corporations to Europe and rest of the world. Read [more](#).

### BRAZIL INCREASES REGULATION OF CRYPTO-ASSET MARKET

Brazil's Law 14,478 of 2022 was published on December 22, 2022 in the Official Gazette. The law enacts increased regulation of the cryptocurrency market and adds penalties for non-compliance. Under the law, VASPs must operate within certain guidelines, including good governance practices, transparency in operations and a risk-based approach, provision of information security and protection of personal data. They must also be in line with international anti-money laundering (AML) and counter-terrorist financing standards. Non-compliance with the law could result in a fine and between four and eight years of imprisonment. Repeat offenses will see the original penalties of Brazil's AML laws increased by a third. Read [more](#).

### EUROPEAN PARLIAMENT VOTES TO TIGHTEN SHELL COMPANY DIRECTIVE

A plenary session of the European Parliament has voted to widen the scope of the European Commission's (EC's) draft unshell directive. The directive, published in draft form in December 2021, is to be implemented as the third revision of the EU Anti-Tax Avoidance Directive (ATAD). It is aimed at shell companies that are used by individuals or companies for tax avoidance purposes, registered in no-or low-tax jurisdictions or jurisdictions where taxes can easily be circumvented. The EC's draft instructs EU Member States to automatically exchange information on all entities in scope of the directive, regardless of whether they are shell entities. However, the European Parliament vote amends the information sharing arrangements between Member States to require more detailed information and 'ensure a better quality and completeness of data being exchanged'. Negotiations between the EC, European Parliament and EU Member States' governments will now continue. The EC hopes the proposal will come into force on 1 January 2021, although unanimous support of Member States will be needed for the directive to be enacted into EU law. Read more [here](#).

### EU LIST OF NON-COOPERATIVE JURISDICTIONS FOR TAX PURPOSES UPDATED

The Council of the EU has added the jurisdictions of the British Virgin Islands, Costa Rica, Marshall Islands and Russia to the list of Non-Cooperative Jurisdictions for Tax Purposes. BVI was added to the list for not sufficiently complying with the OECD standard on exchange of information on request. Costa Rica was added for failing to fulfil its commitment to abolish or amend the harmful aspects of its foreign source income exemption regime. The Marshall Islands were added due to concerns over the jurisdiction having a zero or only nominal rate of corporate income tax and lacking in the enforcement of economic substance requirements. Russia was added for failing to address the harmful aspects of a special regime for international holding companies and following the Russian

aggressive against Ukraine. The following countries are on the revised Blacklist: American Samoa, Anguilla, The Bahamas, British Virgin Islands, Costa Rica, Fiji, Guam, Marshall Islands, Palau, Panama, Russia, Samoa, Trinidad and Tobago, Turks and Caicos Islands, US Virgin Islands, Vanuatu. The Blacklist is reviewed twice per year, and will next be reviewed in October 2023. Read more [here](#).

### Important Note:

The Bahamas government has indicated that it hopes to have The Bahamas off of the European Union's (EU) black list by the end of the year according to Attorney General Ryan Pinder. AG Pinder, who made the remarks at STEP Bahamas' first ever conference, explained that the government is shooting for the last re-rating exercise of the year carried out by the EU, hoping for this jurisdiction to be found as compliant and struck from the blacklist. Read more [here](#).

### MAJORITY OF EU MEMBER STATES MISS DAC7 DEADLINE

Fourteen EU Member States have missed the official deadline set for transposing Council Directive (EU) 2021/514 (DAC7) into national law. DAC7 requires digital platforms to report the financial affairs of customers who sell goods, offer online and offline personal services or rent out immovable property or means of transport. DAC7 requires relevant transactions to be reported regardless of whether they are cross-border in nature or the legal nature of the seller. Information to be reported will include identification of the seller, country of residence, seller's profits or turnover, bank account details and details of property rented out. It was adopted in March 2021 and Member States were given until 31 December 2022 to incorporate it into their national law, with implementation to begin immediately after that date. However, Belgium, Croatia, Cyprus, Estonia, Greece, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovenia and Spain have not met this deadline. Accordingly, the European Commission (EC) is sending them a letter of formal notice. Read more [here](#).