

**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 ▼**

Bahamian Banks and Trust Companies Record Highly Favourable Compliance Result in Central Bank Assurance Study

The Central Bank on May 17th, 2023 released an anti-money (AML) compliance report prepared by Evaluasi, a specialist firm comprising some of the world's leading AML researchers. The Central Bank commissioned Evaluasi to conduct an assurance study or "shadow shopping" exercise on a large majority (more than 75%) of Bahamian internationally active public banks and trust companies. According to Governor John Rolle:

"This shadow shopping exercise demonstrates that the Central Bank will take a more proactive and more holistic approach to assessing the state of AML compliance within this jurisdiction supplemental to its traditional supervisory tools. We want our industry to demonstrate exemplary AML compliance, which in this instance they have done. This is not to say that our supervised institutions are perfect in an AML compliance sense, but this and many other findings suggest that Bahamian banks and trust companies are among the stronger groups globally when it comes to avoiding new clients who cannot demonstrate clean sources of funds."

The results of the exercise included:

1. Consistent with their business models, only 16 of the 50 financial institutions responded to the approximately 250 email solicitations. This demonstrates that The Bahamas is not a particularly welcoming jurisdiction for unsolicited potential client approaches.

2. Most happily, 100 per cent of the engagements between the 16 responding firms and the shadow shopping team evidenced that the responding institutions provided upfront disclosure of the relevant AML requirements, notably the know your customer (KYC) rules coupled with FATCA and CRS reporting requirements.
3. This result is similar to a 2020 multi-country exercise conducted by the Evaluasi researchers, in which a smaller set of Bahamian institutions also recorded a perfect compliance result. The Bahamas was one of only four jurisdictions to do so.
4. The 2023 shadow shopping result, in addition to the 2020 result, gives good assurance that Bahamian banks and trust companies demonstrate a strong compliance culture. Furthermore, banks and trust companies are only willing to on-board clients that can satisfy the relevant KYC as well as FATCA and CRS reporting requirements consistent with international standards codified in the legal and policy frameworks of this jurisdiction.
5. These results are also consistent with the Central Bank's examination and supervision results. Broadly, The Bahamian international banking and trust sectors do not welcome dubious new clients.

To [click here to view](#) the report.

BAHAMAS GOVERNMENT CONSULTS ON GREEN PAPER ON "CORPORATE INCOME TAX STRATEGIES FOR THE BAHAMAS"

The Bahamas Government has begun the first phase of consultation on its future corporate income tax strategy, in particular addressing the 'compelling realities' of the OECD Pillar Two minimum 15 per cent tax rate on large multinational entities. On 17th May, 2023, the Ministry of Finance released the Green Paper on "Corporate Income Tax Strategies for The Bahamas", which aims to solicit feedback from stakeholders on the government's proposals to achieve greater efficiency and equity in the business tax regime and achieve alignment with global tax developments. The consultation document suggests various options for taxing firms whose revenues fall below the OECD global minimum tax rate threshold, as well as a move away from the existing business licence tax for domestic companies. [Click here to read](#) the Green Paper.

CENTRAL BANK ESTABLISHES A STEERING COMMITTEE TO OVERSEE CHEQUE REDUCTION PROCESS

Following initial public consultation and feedback received during 2022, the Central Bank of The Bahamas has established a Steering Committee, to oversee comprehensive efforts to achieve a reduction in the use of cheques in The Bahamas. The Steering Committee which first convened on February 28, 2023, is comprised of a cross-section of public and private sector stakeholders. It is tasked with ensuring that The Bahamas adopts a credible and transparent approach to reduction in the use of cheques, and that the timeline for the

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reforms is achievable when assessed against the ease of conducting banking transactions and the ease of access to banking. In this regard, by June 30 2023, the Committee will make an initial assessment of the feasibility of the timeframe for cheque reduction and elimination. Read more [here](#).

IOSCO SETS THE STANDARD FOR GLOBAL CRYPTO REGULATION

IOSCO, the global standard setter for securities markets, has issued for consultation detailed recommendations to jurisdictions across the globe as to how to regulate crypto-assets. In a major initiative designed to improve global standards of regulation of crypto-assets, IOSCO has set out how clients should be protected and how crypto trading should meet the standards that apply in public markets. The Bahamas is a member of the IOSCO FinTech Task Force and was a significant contributor to these recommendations. [Click here to read](#) recommendations.

SECURITIES COMMISSION OF THE BAHAMAS OPENS CONSULTATION PERIOD FOR DARE BILL 2023

The Securities Commission of The Bahamas has published the Digital Assets and Registered Exchanges (DARE) Bill 2023 for consultation. The DARE Bill 2023 expands the definition and list of digital asset business activities and includes robust consumer and investor protection, risk management, and market innovation and development provisions. The Bill strengthens financial and reporting requirements for digital asset businesses and requirements related to: 1) custody and custodial wallet services; 2) operating a digital asset exchange; 3) providing advice on and management of digital assets; 4) provision of staking services; and 5) a comprehensive approach to the regulation of stablecoins. The Bill aims to become effective by the end of Q2 2023. Read more [here](#).



UPDATE ON THE BAHAMAS DIGITAL CURRENCY SANDDOLLAR

Ongoing Technical Upgrades

Factors critical to a more accelerated adoption include the SandDollar integration with the commercial banks' automated clearing House (ACH). The core integration to the ACH was concluded in 2022. In particular, all commercial banks completed upgrades of their online banking platforms to enable top-up transfers from deposit accounts to native SandDollar wallets. The Central Bank has been working with SandDollar authorized financial institutions (AFIs) to extend the ACH features to all proprietary platforms since the beginning of the first quarter of 2023.

This effort is expected to conclude in the second quarter, allowing all SandDollar-enabled wallet users to receive direct transfers from bank accounts through unique account numbers. Individuals and businesses with existing banking relations will be able to expand their cashless experience and initiate digital currency transfers to their mobile wallets regardless of the platforms through which they are provided services. These users will also have direct access to deposit any desired holdings of SandDollar into their bank accounts.

Several other critical technical upgrades that commenced in 2022 are expected to roll out throughout 2023. Key, among these, is further hardening of the SandDollar security infrastructure and operational resiliency, work on offline payments functions, activation of the electronic know-your-customer (eKYC) system, and support features for merchant fees and e-Commerce.

Upgrade to the native public-facing SandDollar wallet, as well as the back-end infrastructure available to participating AFIs, will be released as Wallet 2.0 during the second quarter of 2023. Wallet 2.0 will offer critical feature upgrades ahead of broadened financial institutions' participation and more targeted growth in merchant accounts.

As to the existing merchant ecosystem, as at January 2023, the Central Bank estimates that at least 80 percent of all domestic mobile payments transactions were denominated in SandDollars. This was due to increasing merchant and mobile wallet activations, as marketing efforts increased among the licensed payment services providers. Read more [here](#).

UPCOMING EVENTS

**Caribbean Association
of Banks CEO
& Directors Forum**
June 9-10, 2023
[More info](#)

**BFSB LONDON
UK Breakfast Briefing/
Landfall Event**
June 28, 2023
[More info](#)

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BFSB & INSURANCE COMMISSION ATTENDED RIMS RISKWORLD 2023

The Bahamas Financial Services Board and the Insurance Commission of The Bahamas attended Risk Insurance Management Society (RIMS) RISKWORLD 2023 at Georgia World Congress Center in Atlanta, Georgia from April 30th – May 3rd, 2023. This four-day event brought together more than 10,000 risk management professionals for an opportunity to educate, learn, and connect with clients and other risk professionals. RIMS, founded in 1950, is a platform for risk management professionals to create a safer, more secure, and more sustainable world. RISKWORLD 2023, hosted under the theme of “The World of Resilience” is an event that provides attendees with the tools and connections to collaborate with other risk professionals and swap innovative strategies. The Bahamas delegation was primarily focused on promoting the growth of the captive insurance industry in The Bahamas.

The representatives of The Bahamas that attended this year’s RISKWORLD conference are Dr. Tanya McCartney, CEO of BFSB, Ms. Rianna Sobiech, Marketing & Special Projects Associate at BFSB, Mrs. Michele Fields, Superintendent of Insurance at ICB, Mrs. Tiffany Moss, Analyst Intermediaries & Market Conduct at ICB, Ms. Phelice Jones, Deputy Manager of Supervision at ICB, Mr. Jermaine Williams, Vice President & Chief Officer at Commonwealth Bank Ltd, Mr. Kencil McPhee, External Insurance Manager at J.S. Johnson & Company Ltd, Mrs. Candice Bain, Business Development Manager/Principal Representative at The Bahamas Co-operative League Ltd/Co-operative Assurance Ltd, and Mr. Larnest Brown, Group Procurement Manager at Cable Bahamas.

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CROWN DEPENDENCIES AGREE COMMON POLICY ON GLOBAL MINIMUM CORPORATE TAX RATE - Guernsey, Jersey and the Isle of Man have agreed a joint policy on implementing the OECD-wide 15 per cent minimum effective tax rate on large multinational enterprises, known as the ‘Policy Two’ policy. The three Crown Dependencies have been playing an active part in the OECD’s Base Erosion and Profit Shifting (BEPS) workstream to address the taxation challenges of the digitalized global economy. They were among the 130 jurisdictions to join the agreed statements in July 2021 and October 2021. They have now decided to implement an Income Inclusion Rule or ‘top-up tax’ combined with a domestic minimum tax, starting from 2025. However, all three have reserved the right to adjust their policies in the light of other countries’ actions. Read more [here](#).

EUROPEAN UNION REACHES FINAL POSITION ON CRYPTO-TRANSACTION REPORTING UNDER DAC8 - The European Union’s Council of Ministers has reached agreement on the draft DAC8 directive on administrative cooperation in the area of taxation, amending the existing directive to require reporting and automatic exchange of information (AEOI) on revenues from crypto-asset transactions. From 2026, crypto-asset service providers will have to conduct due-diligence procedures on clients and report to EU Member States’ tax authorities on a broad range of crypto-asset transactions, including stablecoins, e-money tokens and certain non-fungible tokens. These ‘travel rule’ reports will then be automatically shared with other Member States’ tax authorities, as is already done for conventional asset transactions under previous versions of the directive. No

minimum threshold has been set for the size of transactions to be reported under a regulation adopted by the Council at the same time. According to the Council, the amended directive is needed because the decentralized nature of crypto-assets has made it difficult for Member States’ tax administrations to ensure tax compliance. Read more [here](#).

JERSEY: FIFTY PER CENT INCREASE IN MINIMUM INCOME TAX FOR HNW RESIDENTS - Jersey is to increase the minimum annual tax payable by new high-net-worth (HNW) residents, under section 2(1)(e) of the High Value Residency Scheme, from GBP170,000 to GBP250,000. They currently pay GBP170,000 tax on the first GBP850,000 of their annual income and 1 per cent on all worldwide income above that level. Existing residents under s.2(1)(e) will not be affected. There will also be a new requirement that applicants should have a net worth of at least GBP10 million, excluding their place of residence. Read [more](#).

UAE: FINANCE MINISTRY ISSUES FULL GUIDANCE ON NEW CORPORATE TAXATION - The UAE’s new 9 per cent federal corporate income tax comes into effect on 1 June for company financial years starting on or after that date, and its finance ministry has now published a detailed explanatory guide to all articles of the law. It notes that companies, despite being separate legal persons, will be treated as the natural person or persons owning them. This means, for tax purposes, the owners retain unlimited liability for the business’ debts and other obligations. It also acknowledges that taxpayers are permitted to optimize their tax position in a manner consistent with the law. Read [more](#).