OPALESQUE

Opalesque Roundtable Series '24

BAHAMAS

Editor’s Note

Doing Business In A Connected World: Bahamas 2024 Roundtable

In the 2024 edition of the Opalesque Bahamas Roundtable, we bring together a panel of experts to discuss the latest developments, opportunities, and break-throughs in the global financial services industry:

1. Dr Iyandra Smith Bryan, Chief Operating Officer, Quantfury Trading Limited

2. Delphino Gilbert Cassar, Head of Business, Development & Fintech of the Equity Group

3. Paul Winder, Global Head of Wealth Planning, Deltec Bank & Trust Limited

4. Antoine Bastian, Chief Executive Officer, Genesis Fund Services Limited

Striking the Right Balance

The Bahamas was one of the first countries to implement the FATF standards as one of only six jurisdictions of over 200 worldwide. All fund structures are also fully compliant with the OECD's Base Erosion and Profit Shifting (BEPS) framework and the European Union's economic substance requirements.

When it comes to regulate **digital assets,** some jurisdictions have been trying to fit them awkwardly into existing securities legislation, but it's clear these are fundamentally different types of products and assets than traditional securities, so that approach tends to be suboptimal. The Bahamas Digital Assets and Registered Exchanges Act (DARE Act) established a comprehensive, fit-for-purpose pioneering regulatory framework for the sale, issuance, and trading of digital assets in or from The Bahamas. This is a huge differentiator because there are still very few countries in the world that have enacted bespoke legislation covering digital assets in such a thorough manner.

The ***enhanced DARE Act*** will address important issues particularly around segregation of duties, managing conflicts of interest in proprietary trading, strict segregation of customer assets from company assets, and expanding the scope of regulated digital asset activities. The DARE Act takes an activities-based approach to licensing and a risk-based approach to supervision. It also tackles major **emerging issues like stable coins and their reserve management.** It provides clearer definitions and stratification of digital assets like utility tokens versus security tokens. This entails a classification of non-fungible tokens into distinct categories, making The Bahamas a secure, well-regulated jurisdiction for digital asset businesses.

Investors queue up: How The Bahamas leads the charge in Green Finance and “Blue Carbon”

The Bahamas has the world’s largest seagrass meadows, which accounts for approximately 25% of the world seagrass.The discussion delves into the transformative potential of green finance and the Bahamas' strategic initiatives in carbon verification and trading. The integration of carbon credits based on seagrass and the development of a robust carbon market infrastructure not only enhance the country's environmental stewardship but also position it as a leader in sustainable finance, which is witnessed by the massive surge of interest from major Wall Street, global firms, family offices and institutional investors who are keen to participate.

The panelists give hands on guidance and insights on:

- **Why the Bahamas DARE Act represents a comprehensive framework covering everything from token issuance, custody, and exchange operations:** Page 7-10

•How well-defined guidelines regarding liquidity pools and staking programs make the Bahamas **trailblazers in the realm of digital asset staking:** Page 11

•**The Bahamas SMART Fund:** the true robustness of a financial services product lies in how it can survive and adapt over time and actually across generations: Page 9, 20-22.

•A proposal for **a new Smart Fund to cover digital assets and crypto.** How cellular NAV calculations at the sub-fund level bring down costs: Page 22

•Small but significant amendments make the Bahamas **Investment Condominium (ICON) funds** even more attractive: Page 11

•**Green Finance:** How The Bahamas, based on its massive marine and coastal ecosystems which makes the country a **net exporter of blue and green carbon credits**, is breaking new ground in Green Finance, meeting substantial investor interest: Page 16-19

•**Doing Business In A Connected World:** How The Bahamas scores with highest legal standards, a new Arbitration Act, and paradisiac environments: Page 24-26

•**Going beyond plain vanilla in FinTech** and why **Private Banking isn't dead:** Page 27-28

•**Confidentiality vs. privacy of personal data:** Page 30-32

•Why The Bahamas leads in **asset protection and structuring:** Page 32-33

•The Bahamas **permanent residency:** Living in paradise starts at $500K: Page 34

We extend our thanks to our esteemed panelists for sharing their expertise and insights, and we hope our readers find this discussion informative and thought-provoking.

Matthias Knab

Knab@Opalesque.com

Featured Speakers

(LEFT TO RIGHT):

Matthias Knab, Antoine Bastian, Dr. Iyandra Smith Bryan, Paul Winder, Delphino Gilbert Cassar

Introduction

Dr Iyandra Smith Bryan
Chief Operating Officer
Quantfury Trading Limited

I am Dr Iyandra Smith Bryan, the Chief Operating Officer at Quantfury Trading Limited. We are a dynamic fintech brokerage firm headquartered here in Nassau, The Bahamas, that was founded by machine learning professionals, quants, and changemakers who had a desire to make the retail trading industry a lot less exploitative and a lot more honest, fair, and transparent.

In my role, I oversee all aspects of our operations, from risk management and strategy to product development and the user experience. It's an exciting space to be in as we navigate the rapid evolution of the digital asset landscape and the broader shifts in how financial services are delivered.

Delphino Gilbert Cassar
Head of Business Development & Fintech of the Equity Group

I'm Delphino Gilbert Cassar, or Gil in short, Head of Business Development & Fintech of the Equity Group, inclusive of Equity Bank Bahamas Limited and digital assets affiliate Liongate Bahamas Limited. We are a full-service private banking group with a suite of affiliates spanning multi-currency depository bank accounts, asset management, investment funds administration, trusts & estate planning, accounting, corporate services, digital assets, and more. The Equity Group has been dedicated to serving clients for close to 40 years and is fiercely committed to their success. As an independent, boutique bank, trust and other financial services provider, The Equity Group offers customer service driven bespoke products and services to meet the specific needs of high-net-worth individuals, families and institutional clients, both locally and internationally.

My mandate is to drive our business development strategy generally and to build out our fintech capabilities and partnerships in areas like blockchain, AI and digitization initiatives. It's about future-proofing our platform and ensuring we can meet the evolving needs of our sophisticated international clientele.

Paul Winder
Global Head of Wealth Planning,
Deltec Bank & Trust Limited

Paul Winder, Global Head of Wealth Planning at Deltec Bank and Trust. Deltec is one of the oldest and most well-established institutions in the Bahamas, with a history going back over 75 years.

We built our reputation around providing bespoke, multi-jurisdictional wealth and succession planning solutions for high-net-worth individuals and families. But over the years, we've continuously adapted our offering to encompass new asset classes, structures, and geographies.

Today, we provide a truly integrated platform that spans traditional banking and trusts, alternative investments, real estate, digital assets, and more. Our job is to help clients navigate complexity and protect and grow their wealth for the long term.

Antoine Bastian
Chief Executive Officer
Genesis Fund Services Limited

Antoine Bastian, CEO of Genesis Fund Services Limited. We're an independent fund administrator serving a diverse base of investment managers across various jurisdictions and with broad investment strategies.

Our core focus is on delivering best-in-class back-office support to investment funds and the relevant third parties associated with those funds. Fund accounting and net asset Value calculations, financial statement compilation, investor services, regulatory reporting, and corporate governance are our primary focus. In a sense, we act as the central nervous system for our clients by ensuring the smooth and compliant functioning of their fund structures.

It's a role that requires deep technical expertise while also having the ability to be agile, proactive, and mindful partners to our clients, further assisting them to adapt to a fast-changing market, risk, technological and regulatory environments. We're excited to be part of this conversation today and to share some perspectives from the fund administration front lines.

The Bahamas' Regulatory Landscape: Striking the Right Balance

Matthias Knab Thank you all for your intros. I think it really underscores the diversity and dynamism of the financial services ecosystem here in the Bahamas.

Maybe we can start by diving into the regulatory landscape. It's clear that regulation is always going to be a balancing act between maintaining the integrity and stability of the system while also creating space for innovation and growth. I'm curious how you all see the Bahamas navigating that balance. Dr. Bryan, do you want to kick us off?

Dr. Iyandra Smith Bryan: I would describe our regulatory framework as robust yet innovative.

The regulatory environment here in The Bahamas is one of best-in-class legislation, global standards, and global policies, but one that's robust and progressive as well. This contributes to the establishment of the country as an international financial center.

The exceptional regulatory framework here is achieved through strategic collaboration between regulators and private industry participants.

The framework ensures honesty, fairness, integrity, compliance with standards, and enforcement actions that are on par with or exceed global best practices. At the same time, it promotes the continued evolution and progress of the industry. It's a regulatory approach that promotes financial inclusion and innovation while adhering to effective tenets of investor protection and mitigation of systemic risk.

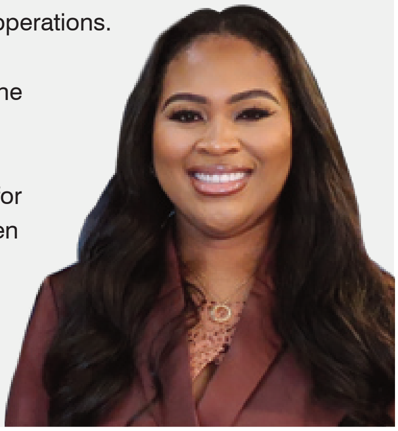
So, on the one hand, you have a clear commitment to upholding global standards and best practices.

> ***The Bahamas was one of the first countries to implement the FATF standards around virtual asset service providers.***

And if you look at the DARE Act, the Digital Assets and Registered Exchanges Act, it represents a comprehensive framework covering everything from token issuance to custody to exchange operations.

This robustness and rigor gives investors and counterparties a high degree of confidence in the jurisdiction. We're not cutting corners or playing fast and loose.

But at the same time, there's an appreciation for the need to create an enabling environment for innovation. The DARE Act was the product of extensive consultation and collaboration between regulators and industry. There was a real effort to understand the unique characteristics and risks of digital assets and to craft a bespoke regime rather than just trying to shoehorn them into existing securities laws.



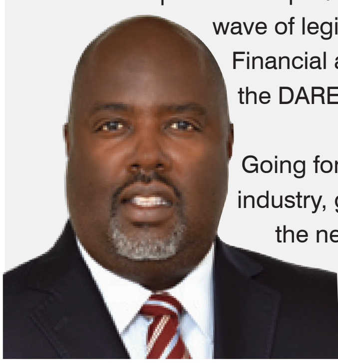
And I think that's so important because digital assets are a fundamentally new asset class. They have different properties, different use cases, different risk profiles. And so you need a fit-for-purpose regulatory framework, not a one-size-fits-all approach.

What I also appreciate is that it's not a static framework. The Securities Commission of The Bahamas (SCB) has been very proactive in engaging with the industry, gathering feedback, and iterating on the rules. There's an understanding that this is a rapidly evolving space and that the regulations need to keep pace.

So I think that combination of regulatory clarity and certainty on the one hand, and flexibility and responsiveness on the other, is really powerful. It allows firms like ours to innovate with confidence, knowing that we are operating within a robust and internationally recognized framework.

And I think it's one of the key reasons why you're seeing more and more digital asset businesses, whether it's exchanges or funds or projects, choosing the Bahamas as their base. They know they can build something cutting-edge and scaled here while still being compliant and credible.

Antoine Bastian: The Bahamas has always had a strong legislative regime. Some may argue it hasn't always been the quickest to update legislation, but it has consistently been robust, meaningful and impactful. That said, the new wave of legislative changes over the last five years have been formidable in terms of modernizing acts like the Financial and Corporate Service Providers Act, the Investment Funds Act, and of course the introduction of the DARE Act, really bringing our legislative arena into a modern, progressive era.



Going forward, I think the legislative framework will be further enhanced by close collaboration between industry, government and regulators to enforce a regime that is agile, responsive and adaptable; not only to the needs of local service providers, but also respond to institutions, governments and regulators outside of the jurisdiction. I think that's where we're heading.

Paul Winder: I came here in 1999, and, if I can add some historical context, the first real passage of major regulatory legislation that hit the global financial services world was between 1999 and 2000. In the 25 years since then, there's been a consistent theme in The Bahamas of marrying the commercial reality with the regulatory imperatives.

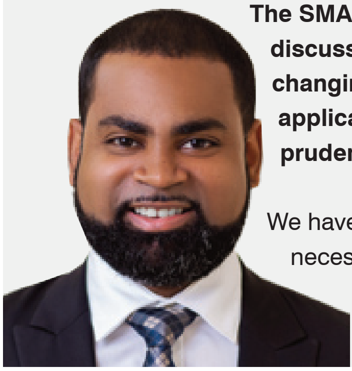
Yes, there's been a significant volume of new regulation brought in worldwide, and The Bahamas had to jump through many hoops to adapt and comply. But throughout this period, while regulatory legislation was being put in place through consultation with the private sector, you always saw the government, regulators, and industry working together to consider how to leverage the regulatory developments into commercial opportunities.

It's really quite special and distinctive to have a jurisdiction where the government, the regulator and the private sector sit around the same table to devise legislation that sets a high standard of supervision and compliance while also identifying the business and economic potential and determining how to regulate it effectively. That spirit of public-private collaboration and innovation continues to set The Bahamas apart.

Delphino Gilbert Cassar:

I would say the true robustness of a financial services product lies in how it can survive and adapt over time and actually across generations.

What I've found is that the foundational products in The Bahamas' private wealth management toolkit, like the SMART Fund for example, are remarkably versatile and adaptable to many different situations, even independent of specialized new regulatory overlays.



The SMART Fund in particular can be utilized in such a wide variety of applications. I've seen it discussed in various contexts, where we've been able to use this existing structure to adapt to changing market realities. When evaluating the optimal corporate structure for SPACs, as well as applications in real estate, tokenization, and other emerging asset classes and strategies, it is prudent to consider the merits of SMART Funds.

We have a very adaptable foundational framework for the evolution of financial services without necessarily having to reinvent the wheel each time. It's a key competitive strength for The Bahamas.

Matthias Knab Let's drill down a bit on the DARE Act, which has been a major development. What has the DARE Act actually enabled in terms of new products and business lines, both domestically and in terms of international business for The Bahamas?

Dr. Iyandra Smith Bryan: In some jurisdictions, we've seen attempts to regulate digital assets by trying to fit them awkwardly into existing securities legislation, but it's clear they are fundamentally different types of products and assets than traditional securities, so that approach tends to be suboptimal.

What the DARE Act did was establish a comprehensive, fit-for-purpose regulatory framework for the sale, issuance, and trading of digital assets in or from The Bahamas, which is a huge differentiator because there are still very few countries in the world that have enacted bespoke legislation covering digital assets in such a thorough manner. It also applies to any service provider dealing in digital assets.

So you have dedicated legislation governing digital asset businesses, and we will also have accompanying regulations, although not yet fully enacted, to ensure effective oversight and compliance for digital asset activities. That's what makes it so powerful and attractive from an industry development perspective.

We're now looking at enhancing the DARE Act based on learnings from the recent crypto winter, seeing how the market has evolved, and incorporating feedback from the first wave of licensed providers.

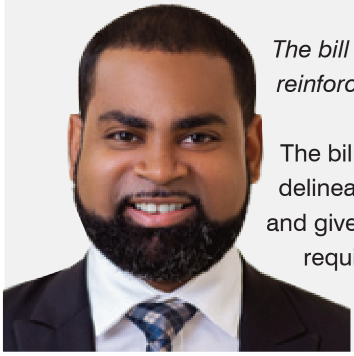
Delphino Gilbert Cassar: The DARE Act was truly a pioneering piece of legislation. The Bahamas demonstrated immense courage and leadership in setting out a clear, comprehensive regulatory tone for digital assets. In such a fast-moving, dynamic environment, you have to be nimble, and that's exactly what we're seeing - The Bahamas is being proactive and agile in evolving its digital assets framework as the space matures.

I believe the enhanced DARE Act will address important issues particularly around segregation of duties, managing conflicts of interest in proprietary trading, strict segregation of customer assets from company assets, and expanding the scope of regulated digital asset activities.

> ***The DARE Act takes an activities-based approach to licensing and a risk-based approach to supervision.***

The draft bill gives the Securities Commission greater flexibility and discretion in calibrating requirements to the scale and complexity of each provider's operations. *It also tackles major emerging issues like* ***stable coins and their reserve management.*** *It provides clearer definitions and stratification of digital assets like utility tokens versus security tokens. This entails a classification of non-fungible tokens into distinct categories. Some NFTs function as financial instruments, while others serve purely for utility, enjoyment, or various other purposes. It is clearly defined which NFTs fall within the scope of the Act and which ones do not.*

I've also noticed that the new proposed DARE Act opens up for initial token offerings having a registry in The Bahamas, even outside of an actual ICO happening here. Even if it's happening outside, you would be able to actually voluntarily have it listed in a registry, which I think gives the world an opportunity to be more radically transparent.



The bill adopts a stringent stance by explicitly prohibiting privacy tokens and algorithmic stable coins, reinforcing a recurring theme from the initial act, which I find commendable.

The bill reinforces the jurisdiction's authority over its domestic digital asset ecosystem. It aims to delineate the respective purviews of different regulatory bodies in a transparent and cooperative manner and gives the Securities Commission more flexibility and discretion around how it prescribes certain requirements based on the scale and scope of an operation.

Paul Winder: Those are all excellent points and help clarify what is undoubtedly a complex piece of legislation. I would highlight two key things about the DARE Act. First, it demonstrated the regulators' capacity to act swiftly and decisively when needed. Second, it sent a strong signal to the global industry that The Bahamas is a secure, well-regulated jurisdiction for digital asset businesses.

We're seeing a growing number of high-quality projects choosing to domicile here and leverage the DARE Act because it provides them with the legal and regulatory certainty and credibility they need, while also offering them the flexibility to innovate. Policymakers and regulators around the world are taking note and expressing confidence in The Bahamas' digital asset framework, and it will be interesting to see what is in the pipeline.

Matthias Knab What are some amendments you anticipate will be in the Investment Funds Act (IFA)?

Antoine Bastian: There were small but significant amendments recently that allowed Investment Condominium (ICON) funds to transfer, or rather re-register, from being an ICON to becoming an IBC, partnership or a unit-trust. I think that was very critical especially for Brazilian markets and other users of the ICON where the need to convert, if required, to a more traditional structure, like an IBC, can now be done without liquidating the ICON and starting over.

The IFA is up for review at the end of 2024. I suspect any updates to the legislation will probably all focus on safeguarding clients, and creating more alignment to the overall National Risk policies with greater AML/CFT rules for all relevant parties. Even though the 2019 Act already puts a lot of the onus on the directors and investment managers, I suspect an amendment to the IFA will continue to clarify these roles. The custody of digital assets, and the treatment of digital assets or other esoteric alternative securities, could also be highlighted in an amended IFA act.

Paul Winder: I was wondering, is AIFMD going to be dealt with within the Investment Funds Act?

Antoine Bastian: I mean, from the regulation from the act and the regulation, it's throughout the document. And I'm not sure how effective AFMID has been for the Bahamian fund business in general.

The idea in 2013 when the Securities Commission (SCB) signed the MOU with EU was to allow Bahamian Alternative funds and fund managers to have an EU "passport" which allows Bahamas-based alternative fund managers to access the European markets. There has been a great push from a legislative perspective, where the SCB signed 27 MOU with various EU regulators.

Yet, the business, in my opinion has not yet taken flight and impacted the overall country's AUM. This may be a case of marketing and branding and not perhaps stronger or more legislation. I think as a jurisdiction, we have to explore this and speak directly to our counterparts in Europe.

Delphino Gilbert Cassar: If you will, I would like to return to the DARE Bill for just a moment. I believe the Act will evolve to encapsulate some functions around the advising and discretionary management of digital assets separate and apart from the Securities Industry Act (SIA). That's something I did notice within the bill.

> ***"Furthermore, I believe we will once again be trailblazers in the realm of digital asset staking."***

There are well-defined guidelines regarding liquidity pools and staking programs, outlining how these can function as interest-bearing and rewards-based systems within the digital assets sector.

Dr. Iyandra Smith Brian: The proposed DARE Act Bill 2023 has recently passed the consultation period and is expected to be presented in the House of Assembly this year. It represents an even greater focus on consumers, on market innovation of development and risk management.

Matthias Knab Shifting gears a bit, let's discuss green and sustainable finance. Why is green finance and ESG investing important to The Bahamas? How is that agenda being advanced?

Antoine Bastian:

> ***Green finance is an area where The Bahamas is really leading the charge and breaking new ground.***

Green finance is an area where The Bahamas is really leading the charge and breaking new ground.

The most notable development recently was the closing of a **$500 million debt for nature swap deal,** where a portion of the country's outstanding debt was bought back and reissued at more favorable rates. There will be cashflow savings redirected to conservation and environmental initiatives. There's another sizable debt for conversion in the works now with the RFP process underway.

Whereas the proceeds from the first transaction were partially allocated to the general budget, this next deal will see all of the savings' flow, under the supervision of the IDB, to targeted conservation and sustainability projects. The potential impact is transformational.

Additionally, the Carbon Trading Act and the Carbon Credits Initiatives Act have put The Bahamas at the forefront of the global carbon finance movement, enabling not only the creation and issuance of future high-quality carbon credits, but also the trading of carbon credits through dedicated exchanges. This really flows from the United Nations Paris Agreement Article 6 provisions which grant The Bahamas and other nations the right to participate in the fast-growing voluntary carbon markets.

These initiatives all align closely with the UN Sustainable Development Goals, such as poverty eradication, quality education, life below water, and so on. So to the extent that the country generates returns from its carbon credit sales, those proceeds are channeled directly into economic, social and environmental development priorities that benefit Bahamian businesses, households and the natural environment.

It's a true virtuous circle - by monetizing its blue and green carbon assets through credit issuance, The Bahamas unlocks new financial flows to support marine and coastal conservation, ecosystem restoration, clean energy, and resilient infrastructure, all of which in turn increase its carbon sequestration capacity. At the same time, it creates new sustainable business and job opportunities in fields like coral restoration, oceanic carbon measurement, mangrove and seagrass stewardship, and beyond.

So there's an incredibly powerful nexus between carbon finance, conservation, and sustainable economic development that The Bahamas is actively cultivating, with the support of global partners. It has the potential to be a game-changer for the country.

Matthias Knab That's fascinating and an angle on carbon finance I hadn't fully appreciated. Just to clarify, is The Bahamas currently in a position to issue its own carbon credits and trade them? What's the status of the domestic infrastructure and marketplace for Bahamian carbon credits?

Antoine Bastian: The Bahamas is moving very quickly and methodically to stand up its national carbon trading regime. We have already established a carbon credits registrar and an independent agency called Carbon Management Ltd that is responsible for the monetization of the country's carbon assets. The registrar is in the process of procuring the necessary IT systems and finalizing its operating procedures.

All carbon credits generated in The Bahamas will be owned and managed by the government, so the state is the primary beneficiary of the sales proceeds, which as mentioned will be deployed into national environmental and social development programs.

We are currently in the capital raising process to secure funding for the initial phase of the program, which is focused on our blue carbon resources, mainly the oceanic and marine carbon sinks like our seagrass meadows, which are among the most extensive in the world. We're partnering with leading scientific agencies and research institutions to complete the comprehensive mapping, quantification, and ongoing monitoring of those resources that is required under the relevant international carbon standards like the Verified Carbon Standard.

The plan is to generate and sell the first batches of Bahamian blue carbon credits by the second quarter of 2025. We're confident there will be strong demand both in the voluntary corporate markets and from sovereign buyers. Ultimately the vision is to develop a dedicated carbon exchange here in The Bahamas to facilitate the trading of those credits and potentially other types of environmental assets.

It's an ambitious undertaking but one that has the potential to be truly transformative, not only for The Bahamas but as a model for other island and coastal nations to monetize their blue and green natural capital endowments. We're excited to be charting this new course.

So, we are close in terms of the overall verification of blue carbon, which we have identified as our kind of first step.

In that context, we have to have a verification methodology that Verra is redoing - the VM0033 Methodology for Tidal Wetland and Seagrass Restoration. ASTA Global is the partner to provide the baseline for it and so we’re moving quite along in terms of that. Hexagon is a partner for the bathymetric lidar mapping. And so, all these parties that have really global reputation are in the

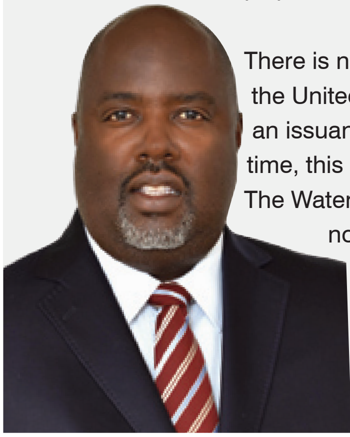
country engaged in making the market happen. It's a financial ask in terms of paying for all of it. But I think we've been moving along over the past two years, and this is, I think, going to be when it finally, when credit is issued, carbon credit is issued rethinking about the second quarter of 2025 will be a transformative reality.

> ***The Bahamas has the world's largest seagrass meadows, which accounts for approximately 25% of the world seagrass.***

A seagrass meadow or seagrass bed is an underwater ecosystem formed by seagrasses. Seagrasses are marine (saltwater) plants found in shallow coastal waters and in the brackish waters of estuaries. Seagrasses are flowering plants with stems and long green, grass-like leaves.

Matthias Knab It's interesting because I think it's the first time that I hear that it's possible to create really an linkage between the blue economy, so everything around oceans, and carbon.

Antoine Bastian: The Bahamas' initiatives in green finance and sustainable investing align with global efforts to promote environmental sustainability and combat climate change. The Carbon Trading Act and the Blue Economy campaign are in line with international agreements such as the Paris Agreement, which aims to reduce greenhouse gas emissions and promote sustainable development.



There is no carbon credit without a program. There's no carbon credit without the 17 SDGs as defined by the United Nations. And so within the context thereof, you have the reduction of greenhouse gas. You have an issuance of one carbon credit for the greenhouse per one ton of greenhouse gas. And at the same time, this proceeds then go into dealing with one of those 17 SDGs such as Life Below The Sea, Life Above The Water, Eradication Of Poverty, Gender Equality, etc. Those 17 important SDGs that are transformative not only from a financial perspective, but from a social and an environmental perspective. And so, it encompasses not only financial and conservation, but also a social aspect where people of the Bahamas are now going to be responsible for their own conservation of the beauty of this whole archipelago and so, it's very forward looking and relevant.

Paul Winder: Just to build on that point, I'm really interested in how the world of investing is changing, particularly with the huge intergenerational wealth transfer that's happening. We're talking about $68 trillion that's being passed down, and the mindset of these new investors is very different. I could talk about this for a long time, but in essence, they're much more focused on "saving the planet" and aligning their investments with their values around sustainability and social impact. They're not necessarily looking to invest in the same things their parents and grandparents did.

So with that in mind, when you're talking about the potential for carbon credit trading in The Bahamas as early as next year, it raises an intriguing question: will that be happening on a platform like the Bahamas International Securities Exchange (BISX), or through a local provider? The reason I ask is because The Bahamas has a track record of thinking ahead on these issues.

We have a Prime Minister who has been a vocal advocate for climate action on the global stage, positioning The Bahamas as a leader among small island developing states. A lot of people are already asking about our national carbon footprint. But I wonder if we could take that a step further.

Gil, I don't know what your thoughts are, but imagine if we could turn around to our international clients and partners and say, "Look, not only do we have a world-class regulatory framework and a thriving ecosystem for your business, but we also have a fully developed, investable carbon finance regime at the jurisdictional level." That would be a powerful differentiator.

Now, I'm not going to promise that we'll have a functioning Bahamian carbon trading market by next year - there's still a lot of work to be done to make that a reality. But I do think it's a hugely exciting opportunity for our jurisdiction to stake out a leadership position at the intersection of climate action and responsible investment.

We have the natural capital, in the form of our marine and coastal ecosystems, to be a net exporter of blue and green carbon credits. And we have the financial expertise and infrastructure to create a robust, transparent, and liquid market for those assets. **It's a chance for us to tap into the growing demand from institutional investors for sustainability-aligned investment products and to make a real contribution to the fight against climate change.**

Antoine Bastian: So, as I mentioned earlier, the Carbon Trading Act and the Carbon Credit Initiatives Act have some really interesting and innovative features that I think are worth highlighting.

One of the key provisions is that 92.5% of the proceeds from the sale of Bahamian carbon credits will flow directly to the government. This is enshrined in the legislation. So while the acts create the legal framework for a robust carbon trading market and the establishment of a dedicated carbon exchange, they also have a very specific fiscal dimension.

> ***"The idea is that the revenues generated from the monetization of our blue and green carbon assets will be channeled into a new sovereign wealth fund."***

This fund will be managed according to international best practices in terms of transparency, accountability, and investment strategy, with a clear mandate to support the country's sustainable development objectives.

And those objectives are not just aspirational - they're hardwired into the fund's governance structure and operating protocols. The proceeds will be earmarked for initiatives and investments that directly advance the Sustainable Development Goals, whether that's promoting clean energy, supporting climate-smart infrastructure, enhancing marine protection, expanding access to education and healthcare, or any number of other priorities.

So in that sense, it's not just a free-for-all where the money disappears into a black box. The whole carbon finance regime is very intentionally designed to create a virtuous cycle where the returns from our environmental stewardship are reinvested in the social, economic, and ecological resilience of The Bahamas.

I think that's a really exciting and forward-looking model. It shows that we're not just looking to capitalize on a hot new asset class, but that we're taking a much more holistic and inclusive view of how we can leverage our natural capital to drive long-term, sustainable prosperity for our people.

And it's not just about the financial flows, critical as those are. By anchoring this new market in our national development priorities and the SDG framework, we're also sending a powerful signal to the world about our values and our vision as a country.

Delphino Gilbert Cassar: I want to emphasize an important point about the environmental, social, and governance (ESG) investing landscape and how it relates to The Bahamas' emerging carbon finance regime.

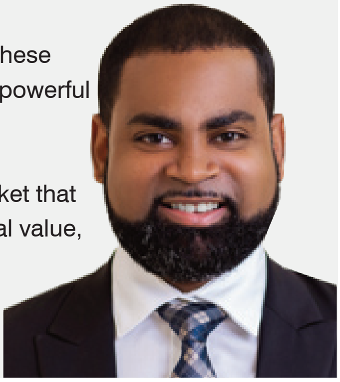
As we all know, there's been a lot of scrutiny and skepticism around ESG in recent years, with concerns about greenwashing, lack of standardization, and the potential for manipulation in the absence of rigorous governance and accountability frameworks. Critics have argued that it's often hard to quantify and verify the real-world impact of ESG strategies and that the label can be misused to conceal business-as-usual practices.

What I find so encouraging about the approach The Bahamas is taking with our carbon market initiatives is that we are directly addressing those concerns and building a system that is grounded in transparency, integrity, and the highest standards of environmental and social performance.

The Carbon Credits Trading Act and the Climate Change and Carbon Market Initiatives Act enshrine clear and robust provisions for the validation and verification of carbon credits. They establish a rigorous process for registering and authenticating credits to ensure that they represent genuine, additional, and permanent emissions reductions or removals.

The legislation also sets out strict criteria for the accreditation of **independent third-party validators** who will be responsible for assessing the quality and credibility of Bahamian carbon projects and assets. This is critical to building trust and confidence among buyers and investors and to guarding against any risk of greenwashing or manipulation.

In essence, what we're doing is creating a gold standard for ESG investing, one that is anchored in quantifiable, verifiable, and governable metrics of environmental and social impact. By hardwiring these safeguards and assurances into the very fabric of our carbon market architecture, we're sending a powerful message to the world that The Bahamas is a jurisdiction where ESG truly means ESG.



We're not just jumping on a bandwagon or paying lip service to sustainability. We're building a market that is fundamentally structured around the generation and delivery of genuine environmental and social value, and we're backing that up with the full weight and credibility of our regulatory and governance frameworks.

I believe this is going to be a huge draw for investors, corporations, and institutions that are looking for high-quality, impactful, and investable ESG opportunities. In a world where there is still so much uncertainty and opacity around sustainable investing, The Bahamas will stand out as a beacon of integrity and a safe harbor for capital that is seeking to drive positive change.

And I want to recognize the visionary leadership of our Prime Minister in making this a reality. Through his tireless advocacy on the global stage, he has elevated The Bahamas' profile as a champion of climate action and sustainable development, and he has helped to create the political and diplomatic momentum for our ambitious carbon finance agenda.

By putting the full weight of the Bahamian government behind this initiative and by forging strategic partnerships with key international institutions and investor networks, the Prime Minister has sent an unequivocal signal that The Bahamas is serious about building a world-class carbon market and that we are committed to the highest standards of environmental and social integrity.

That kind of high-level political validation is absolutely critical to the credibility and attractiveness of our ESG investing proposition. It gives investors and businesses the confidence that this is not just a private sector initiative, but a whole-of-government, whole-of-country undertaking that enjoys the unwavering support and commitment of our national leadership.

We can be the go-to destination for institutional investors, corporations, and asset managers who are looking to align their portfolios with the Sustainable Development Goals and the Paris Agreement, and who are demanding the highest standards of transparency, integrity, and impact.

And in doing so, we can not only drive much-needed investment into our own sustainable development priorities, but also help to accelerate the wider shift towards a low-carbon, climate-resilient, and socially inclusive global economy.

Antoine Bastian: **It's important to recognize that carbon markets are not a new phenomenon. The compliance market, based on the cap-and-trade system, has been functioning in places like California and Europe since the 1970s.** These schemes are designed to regulate emissions by setting a limit on the total amount of greenhouse gases that can be emitted and then allowing companies to buy and sell allowances depending on their needs.

The voluntary carbon market, on the other hand, operates outside of the compliance regime and enables companies and individuals to offset their emissions by purchasing carbon credits from projects that reduce, remove, or avoid greenhouse gas emissions. While the voluntary market has played an important role in channeling finance to climate mitigation activities, it has also faced challenges around transparency, additionality, and environmental integrity.

There have been instances of fraud, double-counting, and questionable methodologies that have undermined the credibility of some voluntary carbon projects and credits. This has led to a growing recognition of the need for more robust standards, verification processes, and governance frameworks to ensure the quality and impact of voluntary offsets.

What sets The Bahamas apart is that we are building our carbon market on a foundation of world-class legislation, regulation, and institutional oversight. We're not just looking to be the first mover in terms of establishing a comprehensive legal framework for carbon trading, but also to set the gold standard in terms of the robustness, transparency, and integrity of our market infrastructure.

A key element of this is the partnership we are forging with Verra, one of the leading international standards for certifying carbon emission reductions. **Verra is currently in the process of**

updating its Verified Carbon Standard (VCS) methodology for blue carbon projects, and The Bahamas has been selected as the pilot jurisdiction for this new methodology.

What that means is that the carbon credits generated from our seagrasses, and other marine and coastal ecosystems will be among the first in the world to be certified under Verra's new cutting-edge blue carbon standard. This will provide an unprecedented level of scale and of assurance to buyers and investors about the quality, additionality, and permanence of these credits.

It's a huge vote of confidence in The Bahamas' approach and a testament to the rigor and credibility of our carbon finance framework. By aligning ourselves with the most respected and innovative players in the voluntary carbon market, we are positioning ourselves as a center of excellence for high-integrity, high-impact blue carbon offsets.

And the market is already taking notice. **We've seen a surge of interest from major Wall Street, global firms, family offices and institutional investors who are keen to participate in the forthcoming request for proposals for our debt-for-conservation swap.** This is further evidence that what we are building here is not just empty rhetoric or political posturing, but a credible, investable, and highly sought-after asset class.

It also underscores the point that Gil made earlier, which is that ESG investing is not a passing fad or a nice-to-have, but an increasingly central priority for global capital markets. As more and more asset owners and managers look to align their portfolios with the low-carbon transition and the Sustainable Development Goals, they are seeking out jurisdictions that can provide high-quality, verifiable, and scalable environmental assets.

Ultimately, our vision is not just to create a thriving market for Bahamian blue carbon credits, but to leverage that market as a catalyst for a broader transformation of our economy and society. By channeling the proceeds from the sale of our carbon assets into strategic investments in clean energy, sustainable infrastructure, education, healthcare, and other key enablers of inclusive, low-carbon development, we can create a virtuous circle of environmental stewardship, social progress, and economic resilience.

*That is the promise of The Bahamas' carbon finance revolution, and it is one that I believe will resonate not just with global investors and businesses, but with citizens and communities around the world who are looking for models of sustainable, inclusive, and climate-smart development. We have a historic opportunity to **lead by example** and to show that a small island nation can be a big player in the fight against climate change and the transition to a more just and sustainable global economy.*

Matthias Knab Moving on, I was wondering if you, Paul, could provide insights into the innovative products introduced in The Bahamas, such as SMART Funds, and how they have impacted wealth planning and structuring options for clients?

Paul Winder: The Bahamas has been a pioneer in creating innovative fund structures that cater to a wide range of investors and strategies. A prime example of this is the SMART Fund model, which stands for "Specific Mandate Alternative Regulatory Test" Fund. This concept was introduced back in 2003, and several of us around this table were involved in its development.

The idea behind SMART Funds was to provide a more accessible and flexible alternative to the traditional fund structures that dominate in other jurisdictions. In many of those places, the barriers to entry can be quite high, especially for smaller or emerging managers. It's not uncommon to see setup costs of $300,000 or $400,000 just to launch a fund, which can be a major deterrent for entrepreneurial investors who have a unique strategy or market insight.

The SMART Fund model was designed to address this challenge by creating a streamlined, cost-effective, and quickly navigable path to market for innovative fund ideas. It was conceived as a way to enable a wider range of investors and strategies to access the benefits of the Bahamas' progressive regulatory regime and robust financial services infrastructure.

Under the SMART Fund framework, managers can work with licensed investment fund administrators to quickly establish and launch funds that are tailored to their specific needs and objectives. The regulatory requirements and corporate governance standards are still rigorous, but they are calibrated to the particular risk profile and investor base of each fund. This has proven to be a highly versatile and adaptable model.

> ***"Over the years, we've seen a range of SMART Fund templates developed to accommodate different strategies and asset classes. For example, the SMART Fund 002 is designed as an incubator fund for start-up managers, while the SMART Fund 004 is tailored for single-investor or family office type structures."***

We've also seen the model evolve to respond to changing market conditions and investor priorities. During the global financial crisis, for instance, the SMART Fund 006 was introduced specifically to provide a vehicle for managing distressed or illiquid assets. And more recently, we've seen growing interest in using SMART Funds to invest in digital assets, tokenized securities, and other emerging blockchain-based instruments.

What's been particularly impressive is the way that the SMART Fund model has been able to adapt to the needs of specific investor groups and geographic markets. A great example of this is the Brazilian-focused SMART Fund that was developed a few years ago in response to the evolving tax and regulatory landscape in Brazil.

At the time, there was a surge of interest from Brazilian investors looking to access international markets, but the existing fund structures in other jurisdictions weren't well-suited to their needs. So the Bahamian government, regulators, and private sector came together to design a bespoke SMART Fund model that was specifically tailored to the requirements of the Brazilian market.

This involved close collaboration with Brazilian legal and tax experts to ensure that the fund structure was fully compliant with Brazil's domestic regulations, while still benefiting from the Bahamas' robust international standards and treaty network. And it was all done within a matter of months - a testament to the agility and responsiveness of our jurisdiction.

Since then, Brazil has streamlined its tax regime for foreign investors, so the specific rationale for that particular SMART Fund model has evolved. But it's a great example of how the Bahamas is able to innovate and adapt to meet the needs of specific markets and investor groups in a way that few other jurisdictions can match.

More broadly, I think the impact of the SMART Fund model on the Bahamas' investment funds industry has been significant. Antoine made a great point earlier about how we're now seeing a shift towards more institutional-grade funds choosing to domicile here, in addition to the entrepreneurial and emerging manager segment that the SMART Funds were originally designed for.

I think that's a testament to the strength and flexibility of our regulatory regime, as well as the depth of expertise and service infrastructure we've built around the funds industry over the past few decades. As of today, we have around 682 licensed funds in the Bahamas with total assets of about $50.3 billion, which is a significant milestone for a small jurisdiction like ours.

But beyond the numbers, what really sets the Bahamas apart in my view is the spirit of collaboration and innovation that underpins our funds industry. The fact that we have a government, a regulator, and a private sector that are all actively engaged and working together to evolve and adapt our product offering is quite unique and powerful.

You see that manifested in things like the **Investment Condominium (ICON) fund structure** that was introduced a few years ago, which essentially allows for asset-pooling arrangements with greater flexibility than traditional fund vehicles. Or in the **Bahamas Executive Entity,** which has proven to be a very popular structure for estate planning and asset protection purposes.

So I believe the combination of a progressive and responsive regulatory framework, a deep pool of professional expertise, and a willingness to continually evolve and innovate our product offering has been the key to the Bahamas' success as a funds jurisdiction. And I think it positions us very well to continue attracting a diverse range of high-quality fund business in the years ahead as investor needs and priorities continue to evolve.

Matthias Knab Also, having been to The Bahamas many times - I think my first trip was in 2001 – your jurisdiction does not only offer fund structures but a full service ecosystem of administrators, auditors, lawyers, and so on.

Paul Winder: Exactly. All of our fund vehicles, including the SMART Funds, are subject to robust oversight and due diligence requirements. This focus on accessibility and innovation doesn't come at the expense of regulatory rigor or institutional-grade infrastructure, and they benefit from the same world-class service ecosystem of administrators, auditors, lawyers, and other professionals.

In that sense, I believe we've struck a good balance between lowering the barriers to entry from a cost and complexity standpoint, while still maintaining the highest standards of regulation and compliance. That's been a key differentiator for us as a jurisdiction and a major draw for the kinds of innovative and entrepreneurial managers we want to attract.

It's also worth noting that our funds regime has kept pace with evolving international standards and best practices around economic substance, transparency, and cooperation.

> ***All of our fund structures are fully compliant with the OECD's Base Erosion and Profit Shifting (BEPS) framework and the European Union's economic substance requirements.***

This is critical for managers who are looking to market their funds to institutional investors in key jurisdictions. And while there is still some uncertainty around how the EU's Alternative Investment Fund Managers Directive (AIFMD) will evolve and whether the Bahamas will seek a third-country passport, I'm confident that our regulatory framework is well-aligned with the key principles and requirements of AIFMD. We'll continue to monitor those developments closely and engage proactively with European authorities to ensure that our managers can access that market as efficiently as possible.

Another important factor that I believe sets the Bahamas apart is the strength and flexibility of our legal system, including the recent introduction of the new Arbitration Act. This legislation has really modernized and streamlined the process for resolving commercial disputes in the Bahamas, including those related to investment funds and other financial services matters.

It's a state-of-the-art framework that is based on the UNCITRAL Model Law and incorporates international best practices around the selection of arbitrators, the conduct of proceedings, and the enforcement of awards. So for fund managers and investors who are looking for a jurisdiction that offers not just a supportive regulatory environment but also a robust and efficient dispute resolution mechanism, the Bahamas now has a very compelling proposition.

All of these factors together - the accessibility and flexibility of our fund structures, the rigor and responsiveness of our regulatory framework, the quality of our professional services infrastructure, and the strength of our legal system - add up to what I believe is a very powerful and differentiated offering for international fund managers and investors. More and more managers are realizing that they can access all the benefits of a world-class financial center in the Bahamas, without some of the cost and complexity that they might encounter elsewhere.

Dr. Iyandra Smith Brian: The adaptability and agility to move very quickly when industry calls upon regulators and the government is crucial. For example, when there are products that aren't working for our Brazilian user base, we can swiftly act. We can formulate an investment fund and create a structure that works. This is what sets the Bahamas apart from other jurisdictions.

> ***There aren't many places where you can get a product within a matter of months, right?***

Delphino Gilbert Cassar: I want to highlight the use of segregated account companies to create sub-fund strategies.

One reason the investment fund product is innovative here in the Bahamas is that it allows for cellular NAV calculations at the sub-fund level. This enables the exploration of various strategies within the overall fund environment.

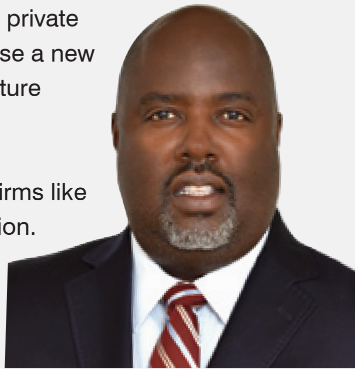
Additionally, this approach is cost-efficient because it avoids the expense of creating an entirely new fund. Instead, you can add sub-funds with a modest add-on fee. These are two practical aspects that stand out to our clients.

Paul Winder: Gil, question for you. Do you think that we will be pushing for a some kind of crypto-based SMART Fund as a specific one dealing with maybe DAOs or something like that?

Delphino Gilbert Cassar: I believe it's possible to enhance governance by involving subscribers directly. Decentralized autonomous organizations (DAOs) enable token holders to collectively vote on the direction of the fund and on investment management functions. I think we could develop a new SMART Fund template specifically for this purpose, and it would be worthwhile to explore.

Antoine Bastian: I recall a proposal for a new smart fund to cover digital assets and crypto. This is the concept of the SMART Fund model to have specific mandate turn ideas into products. I'm not certain whether it was finalized or well-received, but it was pitched.

Looking at the growth of the fund business, especially in the alternative space, we see a focus on private equity, real estate, and venture capital, with less emphasis on traditional assets. If I were to propose a new SMART Fund model, it would cater to this trend. The reason is that valuing private equity and venture capital is complex and risky, necessitating built-in valuation methodologies in the legislation.



However, legislation is often driven by commercial interests. Therefore, a commercial effort from firms like Deltec, Equity, Quantfury and Genesis might be needed to present this to the securities commission. This could lead to the development of SMART Fund 8 or 9.

Delphino Gilbert Cassar:

> ***“Additionally, I've observed that within the existing regime, investors can subscribe to an investment fund using crypto assets.”***

You don't have to rely solely on fiat currency to buy shares in a fund. If the offering memorandum and documentation allow it, you can use crypto assets for subscriptions. This is particularly interesting for those globally who are interested in fintech strategies and investment objectives, as it allows for the onboarding of crypto investors within a fund environment.

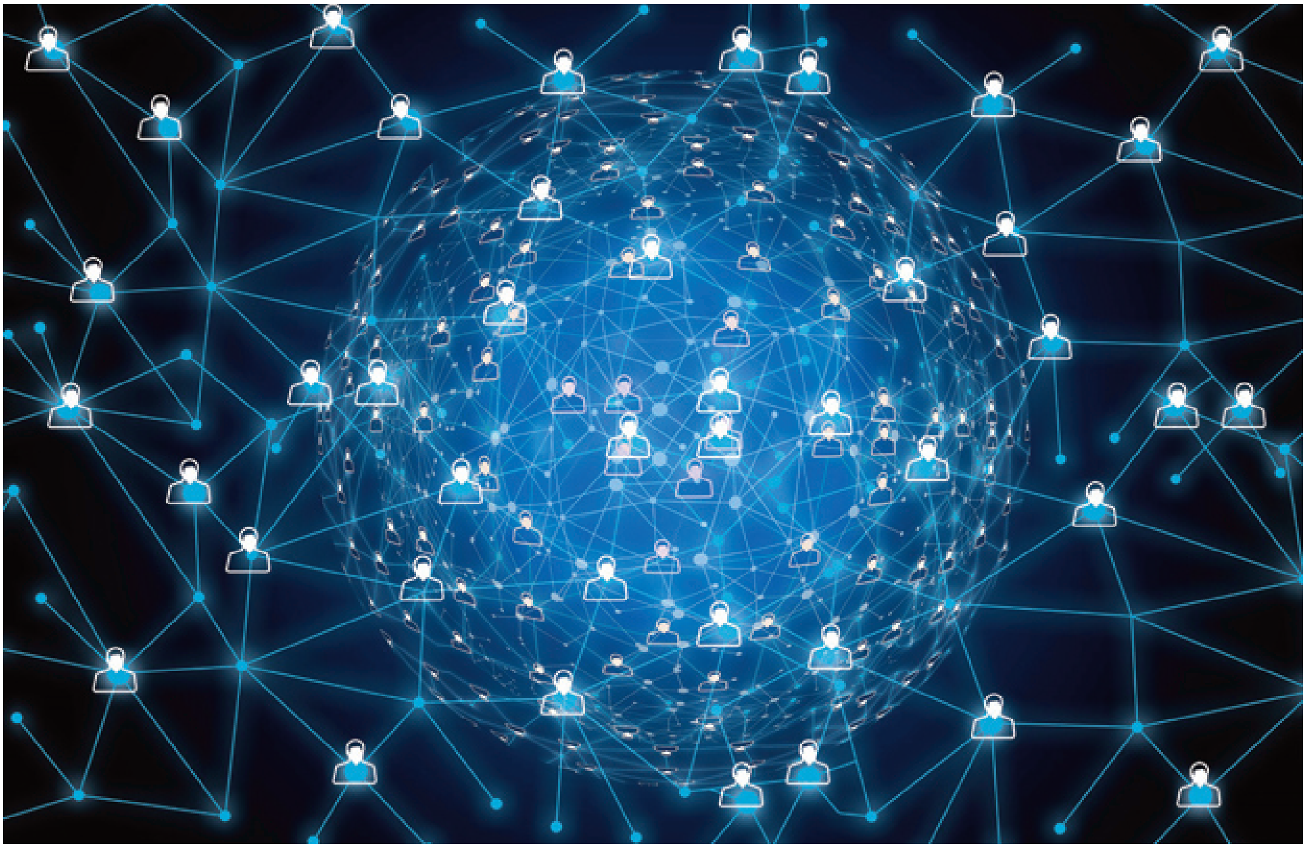
Matthias Knab So this is possible already now?

Delphino Gilbert Cassar: Yes, it is.

As a final point, the way a fund is created offers another layer of innovation. You can license a company to be a fund, or alternatively, you can license a trust and create a unit trust. There are nuances in terms of protections, beneficial ownership, and interesting applications depending on how you choose to structure the fund. I see a compelling opportunity for the creation of a SMART Fund catered towards tokenization of real world assets, such as real estate.

Paul Winder: One important aspect we haven't touched on is whether we have the legal capabilities to support our initiatives. I believe that all of us around this table benefit from the expertise of the legal community in the Bahamas. They have become market experts, providing us with the necessary legal backing to bring our ideas and our clients' ideas to fruition. From what I've seen, the legal community here possesses the depth, expertise, and cutting-edge ability required to implement these concepts. It's not just up to us as practitioners; the Bahamian legal community is second to none worldwide.

Doing Business In A Connected World



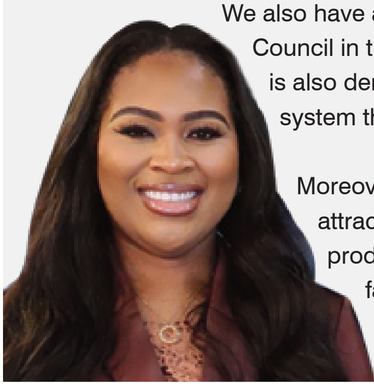
Matthias Knab We already touched on the interconnectedness of global finance and business domains. I was wondering, which specific key factors make The Bahamas an attractive destination for business operations and collaborations with other major financial centers?

Dr. Iyandra Smith Bryan: There are so many factors. We've talked a lot about our robust and innovative regulatory framework. Human capital is another key strength. All of us around the table work closely with professionals worldwide to ensure our clients' needs are met. We collaborate with global service providers, but the talent here in The Bahamas is exceptional.

> ***"The breadth and depth of talent in finance, tax, and legal professions are impressive."***

I've had conversations with colleagues in other jurisdictions who are experiencing labor shortages. For instance, a friend in the Cayman Islands has found it challenging to fill positions, but here in The Bahamas, we have ample talent. Many of our professionals have international experience and are well-versed in working with individuals from other jurisdictions.

Geographically, our location is advantageous—just a 30-minute flight to Miami, with direct flights to the Cayman Islands, Washington D.C., and Panama City. This makes it much easier to service our clients and work with our service providers.



We also have a strong legal system based on English common law, with our highest court being the Privy Council in the UK. This provides a sense of stability and familiarity, especially for U.S. partners, as U.S. law is also derived from the common law system. There's comfort in recognizing and appreciating a legal system they are familiar with.

Moreover, the warmth of the Bahamian people, our hospitality, and vibrant culture add to the attractiveness of The Bahamas. We've discussed our extensive toolkit of solutions—innovative products like the ICON, SMART Fund, and SAC—which enhance our appeal. Together, these factors make The Bahamas a standout jurisdiction for business partnerships.

Paul Winder: You mentioned the Privy Council, which is noteworthy because it has only met outside the UK twice, and both times it was in The Bahamas. This highlights the high regard for our legal structure. Our financial services sector has a long history, established in 1920, giving us over a century of experience.

We have seasoned practitioners with firms that have been here for 70-80 years, not just in banking, but also in accounting and trust services. The government and private sector have been working closely with the regulator, a collaboration I've witnessed in my 25 years here. This cooperation likely dates back even further, as evidenced by our trust legislation.

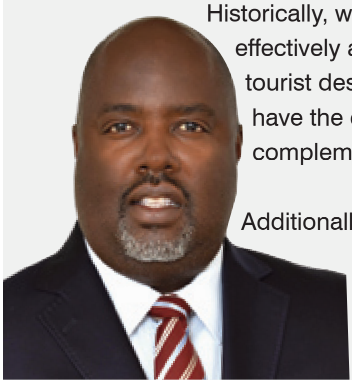
We are FATF compliant, one of only six nations worldwide, which is significant when

you consider there are over 200 jurisdictions. Additionally, we have the third-largest shipping registry in the world, which started in the late 50s and early 60s and has grown astronomically. Given that most global cargo moves by sea, having such a significant shipping registry is a substantial advantage.

You also mentioned being carbon-friendly and the depth of our service providers. Antoine's point about the future of the fund industry becoming more institutional is spot on. Our expertise in trust services, Bermuda in insurance, and Cayman in funds showcases our well-rounded skill set in administering funds.

We meet global regulatory standards, as evidenced by the DARE Act, and we've recently introduced the Arbitration Act, which I'll touch on more in the context of trusts. There are likely many other strengths I've missed, and I might not be the best person to ask since I initially came here for just two years and have now been here for 25. But, if I were evaluating other jurisdictions, I'd see that even Dubai modeled its 2005 legislation after ours, with significant parallels due to the expertise that migrated from here to help them.

Antoine Bastian: We shouldn't overlook the beauty of our archipelago, which attracts millions of tourists and drives significant home purchases, including second homes. The Bahamas' stunning waters draw travelers who sail through our region, and this connectivity extends to other industries, including financial services.



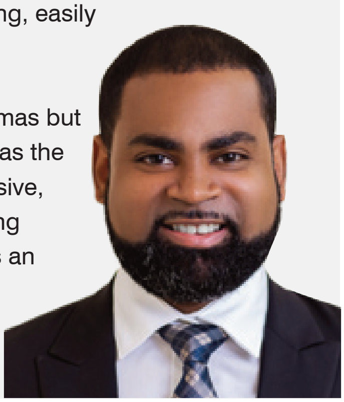
Historically, we haven't integrated tourism and second home ownership into the growth of financial services as effectively as we could. There's a need to reshape our brand so that The Bahamas is seen not just as a tourist destination, but as a comprehensive hub. Financial services are crucial to our economy, and we have the capability to deliver world-class services. Our human resources are well-equipped to support this, complemented by a robust legislative framework and stable government.

Additionally, our diplomatic connections with numerous first-world countries enhance our position. By adopting a more unified and cohesive approach, we can elevate The Bahamas beyond its current status and maximize its potential in the global market.

Delphino Gilbert Cassar: From the perspective of industry participants, **one key advantage of The Bahamas is its unique ability to provide bespoke services.** International clients are not treated as just another number; instead, their unique needs are addressed with customized solutions. The Bahamas embodies a full-fledged international financial center, offering comprehensive wealth management solutions that encompass banking, investment funds, asset management, trusts, succession planning, and now digital assets.

This comprehensive approach is supported by a solid risk management infrastructure, confident regulators, a stable government, and a stable currency. Additionally, The Bahamas benefits from being English-speaking, easily accessible, and a pleasant destination to visit.

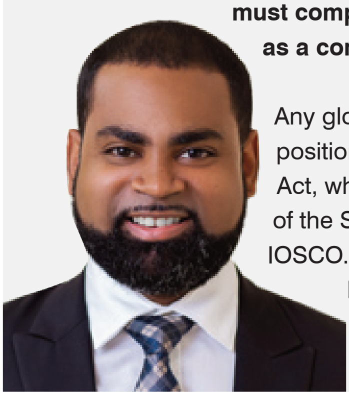
Moreover, we have the skill set to devise tailored solutions that may involve structures in The Bahamas but can also leverage our global network. Many professionals here have contacts in jurisdictions such as the Cayman Islands, the British Virgin Islands, the United States, and beyond, allowing for comprehensive, cross-border solutions. The government's proactive leadership in forging connections with emerging markets, including African countries, further broadens our global landscape, making The Bahamas an attractive option for investors seeking versatile and innovative financial solutions.



Matthias Knab Gil, I was wondering, what's going on with FinTech in the Bahamas?

Delphino Gilbert Cassar: In my opinion, the crypto winter is over. We've observed that the prices of many large market cap cryptocurrencies have recovered and accelerated. Moving forward, I anticipate more crypto and FinTech firms will seek to do business in The Bahamas, not just in the areas of custody, liquidation, and trading. They will also look for solutions related to payments, traditional banking, investment products, and structured products. The Bahamas offers legal clarity and protection through clear legislation, which is highly attractive to these firms.

It's time to go beyond the plain vanilla approaches in FinTech. We will see actionable movements in areas like tokenization and other innovative approaches that will start to take root in The Bahamas. However, it's important to note that FinTech firms aiming to scale globally cannot rely on a single regulatory framework. They need to consider the regulations of the countries where their customers are located. For instance, a FinTech firm serving US customers must comply with US regulations, and the same goes for European customers. The Bahamas serves as a comprehensive solution for the rest of the world.



Any global FinTech firm must navigate multiple regulatory frameworks, and The Bahamas is well-positioned within this landscape. The country is leading global discussions, notably through the DARE Act, which is shaping securities markets and regulators worldwide within IOSCO. Our executive director of the Securities Commission has actively shared insights from The Bahamas with the 130 regulators in IOSCO. Over the next few years, I believe we will see more similarities across jurisdictions, and The Bahamas will remain an active participant in this global discourse.

Dr. Iyandra Smith Bryan: I want to share my perspective on FinTech because I believe it's profoundly important for us in The Bahamas to understand what's happening globally.

In his annual report, Jamie Dimon told shareholders that "Silicon Valley is coming for us," referring to the challenges traditional finance (TradFi) faces from emerging technology. As a consumer, not just as the COO of Quantfury, I see a lot of these challenges.

> ***"TradFi is really good at creating pain points for customers."***

For example, when I go to a private bank in The Bahamas or most other places around the globe, it may take me two to three months to open an account, and the process is done through back-and-forth emails. If you're still emailing clients application forms, you're 20 years behind the times.

FinTech is the future, if not the present, of the entire financial services industry. Technology must be at the heart of everything we do. The biggest topic in FinTech right now is open banking. We're seeing companies like Apple team up with Morgan Stanley to offer financial products. Customers want to bank on their phones, open accounts quickly, and use features like facial recognition for authentication. They expect a seamless, two-minute process.

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Private banking is behind, and if we don't catch up, we're going to face serious issues. Artificial intelligence is another huge topic. Financial institutions need to be integrating AI into their payment systems and account opening processes. If you're not using AI, you're falling behind.

I'm hoping we can do more to accelerate our adoption of these technologies. We have innovative legislation and we're generally innovative people, but we're not moving as fast as we should be compared to other jurisdictions. I think we missed an opportunity during the pandemic.

When I was COO at EFG Bank, we were able to completely transform our application process, moving everything online, using DocuSign, and validating passport copies electronically. We reduced the application time from three months to just minutes.

The pandemic was a perfect excuse to make these changes, but many institutions here didn't take advantage of it. FinTech represents the future of our industry, and we need to ensure that technologies like AI and open banking are at the forefront of what we're doing. When Jamie Dimon says Silicon Valley is coming for us, he means it. If we're not innovating, they're going to solve these pain points for us. I haven't seen as much disruption here as in other jurisdictions, but we're starting to see tech providers pop up and challenge the large incumbent players.

Our regulators seem to be very open to digital banking, new entrants, and innovative service providers, which I think is positive for the industry. But I can't imagine that five years from now, people will still be banking the way we do today. We need to embrace and accelerate this transformation to stay competitive.

Paul Winder: Iyandra makes a great point about how consumer expectations are changing. Today, people want fewer touch points and less friction in their interactions with banks and other service providers. Just look at Amazon - they've mastered the art of making transactions as seamless as possible, while still gathering a wealth of data on their customers.

Just before the pandemic, a well-known figure in international finance declared that private banking was dead. I disagreed with that assessment. While the nature of private banking is certainly evolving, I believe there will always be a need for personalized financial services. People still need advice and support in managing their wealth. However, the way we deliver those services is going to be very different going forward.

Traditional banking services like deposits, payments, and trust management aren't going away anytime soon. People will still need to buy and sell things, and they'll still need secure ways to store and transfer their assets. But the manner in which we provide those services is undergoing a major shift, driven by the rapid advance of digital technologies.

Honestly, I'm not sure exactly what the financial services landscape will look like five years from now. The pace of change is so rapid that it's difficult to predict. But I do know that, like most people these days, I now use my phone for almost everything related to my personal finances. Despite not being the most tech-savvy person, I find it incredibly convenient, and I'm increasingly reliant on it. If I can adapt to this technology, I believe many others can too.

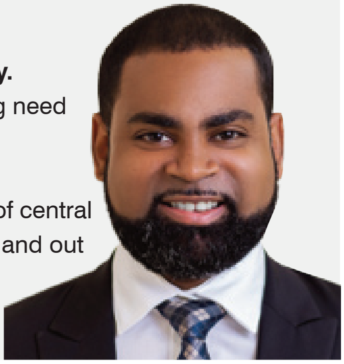
Delphino Gilbert Cassar: I agree, and fortunately, The Bahamas is moving towards greater ease of doing business. The need for asset protection, preservation, and growth will continue, but the delivery methods are evolving. In this context, the government is working on a digital ID, which will significantly enhance business connectivity.

Ease of business involves having credible, verifiable data points connected seamlessly. The government is digitizing various services, like the passport office, driver's licenses, and NIB. Once fully implemented, these services will be interconnected through APIs and other mechanisms.

In the next phase of FinTech, data ownership, confidentiality, and digital identity autonomy will be crucial topics. The Bahamas maintains strong confidentiality standards while cooperating with international regimes like FATCA and CRS. The government is critically examining cybersecurity and the implications of a fully digital ecosystem.

One example of our progress is the Sand Dollar, the world's first central bank digital currency. Adoption of such innovations depends on industry participants. Existing legacy systems in banking need to adapt to communicate with new systems, ensuring scalability.

We need not just interconnectivity but also interoperability. FinTech will involve the interoperability of central bank digital currencies worldwide. The Sand Dollar will play a crucial role as an on and off-ramp in and out of markets. We're on our way to becoming a one-click economy for various transactions.



Paul Winder: It's important to remember that there is a fundamental right to **privacy of personal data,** which I believe is enshrined in Article 8 of the European Convention on Human Rights. Just last year, France actually lost a case related to this issue, which led to the immediate shutdown of public registries across the European Union to restrict access to personal information.

I think our government here in The Bahamas is aligned with this principle, and it's crucial to understand the distinction between confidentiality and privacy. In our jurisdiction, individuals have a clear right to confidentiality. If a service provider releases a client's information without their explicit consent, it's considered a criminal offense.

This crime carries both financial penalties and the potential for prison time, underlining how seriously we take the protection of personal data. The key point is that unless I, as a client, authorize you to share my information, you have an obligation to keep it private and confidential.

It's important to note that this isn't about the jurisdiction itself withholding information. Rather, it's about recognizing and respecting the individual's fundamental right to control how their personal data is used and shared.

Delphino Gilbert Cassar: I want to emphasize that there is indeed a clear distinction between privacy and confidentiality, and this distinction is crucial to understanding how personal data is handled in The Bahamas.

Confidentiality remains a core principle in our jurisdiction. Financial institutions and service providers are bound by strict confidentiality obligations, and they cannot disclose their clients' information without explicit consent. This commitment to confidentiality is a key pillar of our financial services industry.

Privacy, while also important, is managed carefully and can be superseded by certain overriding concerns, such as the prevention of money laundering and the financing of illegal activities. The Bahamas has robust legislation in place to combat these financial crimes, and this may necessitate the sharing of information in specific circumstances.

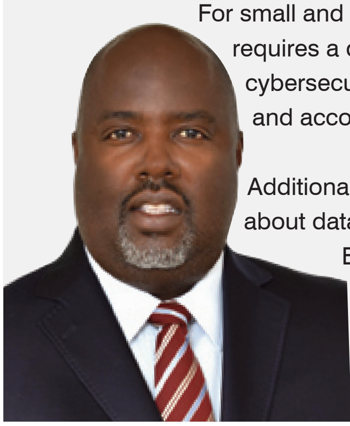
However, it's important to note that The Bahamas doesn't simply disclose personal information indiscriminately. Any sharing of data would need to be driven by a legitimate and serious threat to society, or to comply with specific international regulatory requirements.

So while The Bahamas remains committed to confidentiality, and will not publish or share personal information without good reason, there are certain situations where privacy considerations may be secondary to more pressing legal and societal obligations.

Ultimately, I believe The Bahamas strikes a careful balance. We respect and protect the privacy of individuals, but not at the expense of enabling financial crime or flouting international norms. Our approach is to maintain a robust confidentiality regime while also being a responsible global citizen and a trusted partner to the international community in the fight against illicit finance.

Antoine Bastian: Iyandra mentioned Jamie Dimon, and I recall that about six years ago, he was on Bloomberg's "Changemakers" along with other CEOs. He remarked that his bank was essentially a technology company providing banking services. This perspective is something we all as industry participants should consider.

Gil touched on cybersecurity, which is fundamental to real FinTech. Earlier this year, I underwent a cybersecurity audit, which was one of the most challenging experiences of my career. It required us to shift from being entrepreneurial to more institutional in our approach to cybersecurity, encompassing all the necessary hardware, software, and procedural manuals.



For small and entrepreneurial firms with legacy trust businesses, this presents significant challenges. Scaling up requires a digital platform, but implementing such a platform demands substantial investment in cybersecurity protocols to protect client data and ensure confidentiality. Many small firms, including law and accounting firms, face hacking threats due to inadequate data protection measures.

Additionally, some firms employ individuals who are not residents of The Bahamas, raising further concerns about data security. Effective FinTech must balance efficiency with safety. As industry leaders and the Bahamas Financial Services Board (BFSB), it's crucial that we champion robust cybersecurity programs through legislation and or guidance. This will ensure the industry's growth while maintaining the highest standards of data protection and security.

Dr. Iyandra Smith Brian: Cybersecurity is the number one issue.

> ***"A recent survey of financial institutions in the US identified cybersecurity as the top concern for CEOs and boards in 2024, surpassing all other issues."***

Antoine Bastian: I spoke with the CEO and in-house counsel of a global bank here at a private function about four weeks ago. They mentioned that most of their board meetings are dominated by discussions on cybersecurity.

Dr. Iyandra Smith Brian: Financial institutions are desperately trying to hire cybersecurity experts—they're actively seeking them.

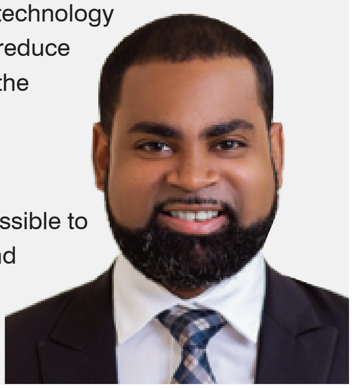
Antoine Bastian: I agree, cybersecurity is one of the primary focus of board meetings.

Delphino Gilbert Cassar: Another interesting subset to consider is data sovereignty.

> ***"It's increasingly important to know where your data is stored and understand the implications for its protection."***

A significant trend in FinTech now is decentralized storage. Whether or not the Internet takes the leap into Web 3.0 is, in my mind, inevitable. This shift will move us away from relying on powerful companies with massive servers to a more decentralized internet infrastructure.

In this evolving landscape, data will become self-custodied. Similar to how distributed ledger technology works, data will be stored collaboratively and accessed as needed. This decentralized model will reduce points of vulnerability and the concentration of power in specific tech giants, addressing some of the biggest criticisms of big tech today.



The Bahamas is well-equipped to handle these changes with its robust server environment and infrastructure, including Cable Bahamas, the GNET, and cloud service providers. This makes it possible to host data safely within the country, aligning with the future trends of decentralized data storage and sovereignty.

Matthias Knab One thing I am curious to hear more about is how the Bahamas' asset protection and structuring services compare to those offered by other jurisdictions.

Paul Winder: I'll give you an elevator pitch. A lot of jurisdictions have become quite similar in terms of the playing field, but the Bahamas stands out in a few key ways.

Firstly, the Bahamas has an exceptional depth of trust expertise and personnel. But beyond that, a few specific aspects of our legislation really set us apart.

Under the Fraudulent Dispositions Act, we have a two-year statute of limitations. What that means is if you are placing assets into a trust as part of your succession planning, as long as you are not insolvent when you do so, the transfer itself does not render you insolvent, and you are not attempting to defraud a creditor, then after two years, those assets in the trust are protected from claims. In most other jurisdictions, this period is typically around five years. This shorter window has been widely accepted and utilized, particularly by US individuals who choose to do their estate planning here.

Another key differentiator is our approach to perpetuities, which refers to the allowable duration of a trust. As people are living longer, this has become increasingly important. Previously, the limit was 80 years, which was then increased to 150 years. However, after listening to practitioners and lawyers around the world that we work with, the consensus was that this limit was not necessary, and trusts should be able to continue in perpetuity. The Bahamas amended its legislation to allow for this.

A third significant feature is the provision for **reserved powers.** This is relevant in situations where, **for example, an individual establishing a trust happens to be a market maker at a large investment firm, likely with greater investment expertise than the trustee's own investment department. In such cases, the settlor may want to reserve the power to direct investments.** The Bahamas has specifically provided for this in its legislation, allowing the reservation of investment powers.

While there are not drastic differences between jurisdictions, as they have largely leveled out, I would say these are the key points where the Bahamas stands out, based on my 30 years of experience in the trust industry.

Of course, there are many reasons why one might engage in estate planning through a trust. For individuals in Central and South America, a trust can provide safeguards against risks like kidnapping. A trust can also ensure that if someone is incapacitated due to an accident or hospitalization, their affairs can still be managed. For those in the United States, often cited as one of the most litigious countries in the world, a trust can be used to shield assets to ensure, for example, that funds are available for their children's education.

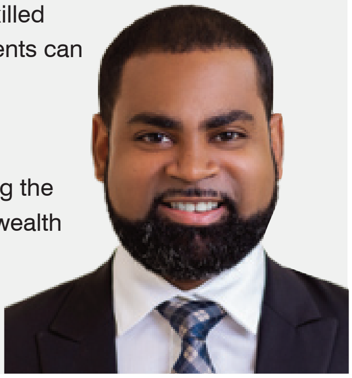
There are numerous other motivations and benefits, but if I had to highlight the top three areas where the Bahamas differentiates itself, based on my three decades in the business, those would be the key factors.

Matthias Knab One last point for Gil. Can you elaborate on the specific benefits that clients derive from utilizing The Bahamas' wealth planning and structuring services, such as optimizing holdings and managing risk?

Delphino Gilbert Cassar: Certainly. The Bahamas offers a **comprehensive wealth management environment where various financial services integrate seamlessly. This holistic approach ensures clients are not operating in isolation. They benefit from the synergy between private banking, asset management, investment funds administration, FinTech strategies, and corporate services.**

This interconnected environment allows for complete and tailored solutions, addressing all aspects of wealth management. Often, clients suffer from fragmented advice, but in The Bahamas, they can access a wide array of services and expertise in one place.

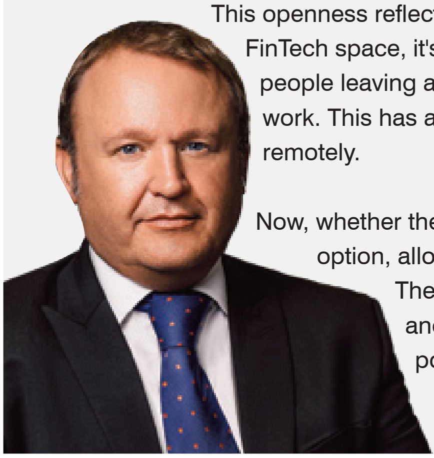
Moreover, the Bahamas offers regulatory clarity, robust risk management frameworks, a pool of skilled professionals, and a desirable location for a second home. These factors combined mean that clients can receive bespoke, efficient solutions tailored to their unique needs within a supportive regulatory environment.



The specific benefits include the ability to optimize holdings and manage risk effectively, leveraging the comprehensive services available in The Bahamas. This integration ensures that all pieces of the wealth management puzzle fit together perfectly, providing a cohesive and effective strategy for clients.

Matthias Knab Before we close, is there anything else you want to mention?

Paul Winder: I'd like to add to what we were discussing. The Bahamas is very welcoming to those looking to live here, including people seeking second homes. However, I'd advise acting quickly, as the inventory is limited. **The Bahamas offers several options for residency, whether it's a one-year permit for business assessment or applying for permanent residency with an investment in a business or property, which typically requires $500,000 for a business or $750,000 for a property.**



This openness reflects the country's eagerness to attract new residents. Additionally, as we move into the FinTech space, it's worth noting that one of our historical challenges has been brain drain, with many people leaving and not returning. The pandemic, however, has helped mitigate this by normalizing remote work. This has allowed many students and professionals working abroad to intern with Bahamian firms remotely.

Now, whether they are in the United States, the UK, or elsewhere in Europe, remote work is a viable option, allowing them to contribute to the Bahamian economy without being physically present. These are just a couple of areas where we've seen benefits—both in attracting new residents and retaining our talent. We could discuss this for hours, as it's a significant topic, but these points highlight some key advantages.

Antoine Bastian: Another important development we haven't touched on yet is the **new Registrar General's platform,** which I believe is slated for launch in June. This could bring a significant boost to the speed and efficiency of the industry as a whole. Hopefully, it will come to fruition shortly.

The Registrar General's Department is responsible for the incorporation and registration of various corporate structures. They have been working on a robust plan to upgrade their systems and processes.

The Registrar General plays a vital role in the financial services ecosystem, as they handle the official recording and documentation of legal entities. This includes companies, partnerships, foundations, and other vehicles that are commonly used in wealth structuring and asset protection strategies.

If the new platform launches as planned, it could streamline many of the administrative functions associated with setting up and maintaining these structures. This could involve things like online filing of forms, electronic payment of fees, and more automated processing of applications and requests.

For clients and practitioners, this would mean faster turnaround times, less paperwork, and a generally more efficient experience when it comes to the formal aspects of structuring. It would reduce the manual burden on service providers and allow them to be more responsive to client needs.

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