



Opalesque Roundtable Series '18

BAHAMAS

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Editor's Note

The Bahamas is one of the richest countries in the Americas (following the United States and Canada in terms of GDP per capita). The country boasts 700 beautiful islands, with the closest (Bimini) just 50 miles away to the United States, and a very competitive tax regime. The Bahamas is a Commonwealth country and so English speaking, but operates in a multi-currency environment with multilingual staff and institutions offering access to Spanish, Portuguese, and French. Not to forget, *there has never been a frost or freeze reported in The Bahamas, and the difference between the warmest month and coolest month is just 8 °C.*

Close to 400,000 live in The Bahamas and benefit from an excellent infrastructure. Also from a landmass perspective, with 13,878 km² (5,358 sq mi) The Bahamas appear to score nicely against some other island jurisdictions, which sometimes can be just a fraction of that.

The Bahamas for decades has had a value proposition and a particular ability for private wealth management and remains an international financial center of first choice. But there is no stand still as the government and key stake holders continue to develop The Bahamas as a jurisdiction of substance and not just of form and structure.

At the moment, the Bahamas Securities Commission is doing an overhaul of the **Investment Funds Act**. The new **Commercial Enterprises Bill** is already attracting new technologies and new businesses to do business from the Bahamas. **Large family offices** and other firms are set up or move to The Bahamas based on location, accessibility, the reputation of the jurisdiction and quality of the regulation, infrastructure and ease of doing business, political stability, responsiveness of the regulators and access to professionals.

In 2017, the Bahamas Financial Services Board created a FinTech Working Group and has published a draft policy position, while the Central Bank is exploring a digital currency. A number of FinTechs and crypto funds have already chosen The Bahamas as a platform to centralize their cryptocurrency and Blockchain activities there.

A dream destination for companies, families and high net-worth individuals

For generations, The Bahamas has been a forerunner in providing the arena for second homes or for emigration of high-net-worth individuals to the country, starting with Juan Tripp, who founded Pan American Airways and who had great investment in the island of Eleuthera, inventor Robert Abplanalp, Sir John Templeton, and many others. The reasons why these individuals would have relocated to or established second homes in The Bahamas generations ago still exist today and are even amplified by the fact that services-based industries are by their nature mobile.

The Opalesque 2018 Bahamas Roundtable took place in Nassau, The Bahamas, with:

1. Tanya McCartney, **CEO & Executive Director, Bahamas Financial Services Board**
2. Michael Halkitis, **CEO, GBO Bank and former Minister for Finance**
3. Oscar Johnson, **Managing Partner and Global Managing Director, Higgs & Johnson**
4. Ryan Pinder, **Partner, Graham Thompson and former Minister of Financial Services and Trade**

The group also discussed:

- The Bahamas' value proposition as an international financial center (page 7-11)
- How does the Bahamas' approach to regulate cryptocurrency and ICOs differ from Bermuda and other jurisdictions? (page 11)
- What makes The Bahamas the clear choice for families or wealthy individuals to relocate? (page 12-17)

- Geographical background on The Bahamas. A variety of choices to relocate and work (page 13-16)
- The Bahamas network & cluster effect: How local and international investors team up (page 17-18)
- Infrastructure on The Bahamas (page 18-19)
- The main attraction points of the new Bahamas investment funds regime (page 21)

Enjoy!

Matthias Knab

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Participant Profiles



(LEFT TO RIGHT):

Michael Halkitis, Ryan Pinder, Tanya McCartney, Oscar Johnson, Matthias Knab

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Introduction

Tanya McCartney

Bahamas Financial Services Board

I am Tanya McCartney from The Bahamas Financial Services Board (BSFB). I have been an attorney for the past 23 years and spent most of my career in financial services; both on the business side, as well as legal and compliance.

Michael Halkitis

GBO Bank

Michael Halkitis, I am the CEO of GBO Bank, Ltd., which is a new licensee here in The Bahamas and part of the FxPro Group. FxPro is one of the largest retail foreign exchange broker dealers in the world. I previously served as Minister of State for Finance between the years 2012 and 2017 here on The Bahamas.

Oscar Johnson

Higgs & Johnson

Oscar Johnson, I am a Partner at Higgs & Johnson where I serve as Firm Managing Director and The Bahamas Managing Partner. I have been an attorney since 1985. I conduct a general practice, specializing in Civil and Commercial Litigation, focusing on banking and insurance law. I have served as the Director of various quasi-governmental, and non-governmental bodies.

Ryan Pinder

Graham Thompson

My name is Ryan Pinder; I am a partner at the Law Firm of Graham Thompson here in Nassau. I am a certified international tax attorney practicing in the areas of private wealth structuring, financial services and commercial transactions. I am a past Minister of Financial Services and Trade in the Cabinet of The Bahamas, where I oversaw a number of policy reforms in the financial services industry.

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Matthias Knab

Can you update me on some of the most recent developments, innovations The Bahamas has been focusing on as a jurisdiction and what is coming down the road?

Tanya McCartney: A lot of the work really been policy driven, responding to global regulatory changes. That has to a certain extent also impacted our business model and led us to redefining what our value proposition is.

So, we were very busy implementing regulations and procedures as they relate to the automatic exchange of information, base erosion and profit shifting, making sure that we have the frameworks in place to comply with such global regulatory requirements. At the same time, we must continue to do business and The Bahamas Financial Services Board (BFSB), as the key marketing agent, has been taking on initiatives to ensure that The Bahamas remain top of mind for individuals looking for an international financial center.

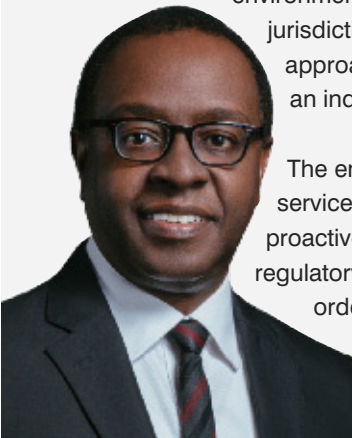
For example, we have been working with the Securities Commission on an **overhaul of the Investment Funds Act**. We have also implemented measures to create efficiencies **to attract family offices** here. We see the proliferation and professionalization of family offices as a global, growing trend.



Oscar Johnson: The firm which I represent conducts a significant amount of business in the financial services arena, in the real-estate development arena and also in the commercial arena in terms of mergers and acquisitions, and the like.

As a service provider to the financial services industry we have responded to the various changes in the regulatory environment including the increased focus on transparency and substance, and I think that various other jurisdictions are facing the same challenges. Fortunately, here in The Bahamas, there is an overarching approach that is being taken by government and the financial services industry, which is facilitated from an industry perspective by the BSFB.

The environment is changing, and this affects not only a law firm such as ours, but also various other service providers in the accounting sector and in the financial services sector directly. We are all taking proactive steps to respond to the demands which are being placed upon us from the legal and/or the regulatory side. All of us are working hard to create products and market those products effectively in order to ensure that The Bahamas remains **an international financial center of first choice**.



Ryan Pinder: I think it's important to recognize what Tanya had alluded to in that The Bahamas is looking to really redefine its value proposition in this international environment. As most would know, The Bahamas for decades has had **a value proposition and a particular ability for private wealth management** and a unique position of preservation of financial privacy for our clients.

We know that with the recent international regulatory changes, **physical transparency is now the order of the day**, but at the same time our very wealthy clients are also putting up more family offices, with many reaching an impressive size and organizational scale. This was also discussed at an earlier [Bahamas Roundtable](#) which was all about family office operations and how The Bahamas have become an attractive base to run a family office.

So there are already a number of initiatives underway to broaden and diversify our presence in financial services, which is also one of the underpinnings behind redrafting of the International Funds Act. We are working to become even more attractive to a broader range of fund products so that The Bahamas can attract more institutional funds, pension funds, more private equity, and hedge fund activity and not only private wealth funds.

We actually started that process of redefining and rewriting the legislation years ago. This includes of course **developing The Bahamas as a jurisdiction of substance and not just of form and structure**. While the attraction of family offices is paramount in that for The Bahamas, we have started to look at different elements of headquartering and attracting clients with their actual businesses themselves to The Bahamas. This has become a very important factor and direction we have taken. For example, the current administration has passed the **Commercial Enterprises Bill**, which is a piece of legislation that is designed to **attract new technologies and new businesses** to do business from in the Bahamas.

Our history has also shown that to the extent we can attract businesses and high-net-worth individuals physically to our jurisdiction, our economic model broadens significantly. Many of the most significant development capital projects in The Bahamas are led by and financed by persons who live from in the Bahamas, which again strengthens our value proposition as an international financial center.



Michael Halkitis: As Tanya mentioned, we have been dealing with changes in the international regulatory landscape from FATCA to CRS to BEPS. Over the last few years I have had to deal with it from the government side in terms of the government's responsibilities, and now in the private sector.



The group that I represent is new to The Bahamas, and part of what attracted us to The Bahamas is the reputation of the jurisdiction and the regulation. As an enterprise, we see these changes in the international regulatory landscape as a challenge, but also as an opportunity to do something different by establishing a presence and hopefully thrive in the space that is not the traditional financial services sector.

One of the positives is of course the location of The Bahamas. This together with the quality of the regulation, responsiveness of the regulators and the access to professionals – as you know, we have a long history in financial services and thus a deep and skilled talent pool of professionals who can also migrate to other segments within the industry, and so we are happy to be here.

Tanya McCartney: People want to be in a jurisdiction that is well-regulated. They want to be in a reputable jurisdiction and they also want to be somewhere where it's easy to do business. And on those two points I think The Bahamas would score high marks.

The OECD has categorized us as largely compliant and we maintain that rating. In terms of all the various initiatives by the European Union, we are responding and are implementing what needs to be implemented to ensure that The Bahamas remains a jurisdiction of integrity. So, once we have established that, the question is how easy is it to do business here? Ryan already mentioned the Commercial Enterprises Bill which has recently been passed (December 2017) . This legislation seeks to attract business or investment in certain sectors, and tied to that is an expedited process around work permits and various other government approvals as well.

In addition to that, as a jurisdiction we are focused on ease of doing business across the board. And much effort and investment is being made by the government to introduce technology, for example, into the Department of Immigration to expedite the application process there. We are looking to streamline processes in terms of licensing or starting a business. So while being a well-regulated and reputable jurisdiction is critical to our value proposition, there is also a tremendous focus on ease of doing business.

As we lay that platform, the next question is how do we diversify our product offerings, what are we focused on? The Bahamas Financial Services Board last year created a **FinTech Working Group**. Out of that has come a draft policy position paper that we have begun to share with key stakeholders. And while we have been as a private sector looking at opportunities in financial technology, the government has also been doing the same thing. We have been collaborating in this regard.

Most recently our Central Bank talked about their exploration of a **digital currency** for The Bahamas and what that would mean. We have been agitating or lobbying for a regulatory sandbox so that we could leverage this Commercial Enterprises Bill to attract business here, but operating within a sandbox that would make it easy for financial technology driven businesses to grow and to thrive. In terms of innovation, I think there are some opportunities in that particular space as well.



Matthias Knab

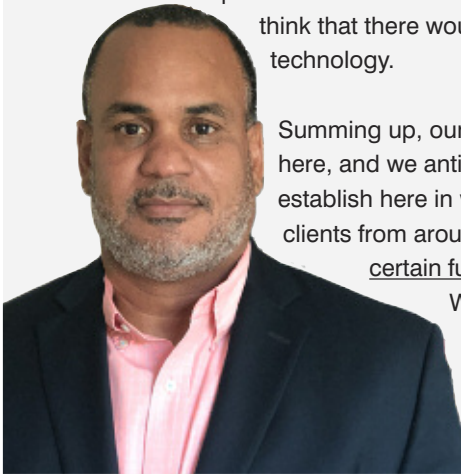
Michael, FxPro Group, one of the largest retail foreign exchange broker dealers, coming to The Bahamas to set up DBO Bank, Ltd., here and thus doing business from The Bahamas is a success story that I like to explore a bit more. You have previously been a Minister of Finance of The Bahamas, I am curious to hear more from you what your experience has been setting up a private business here?

Michael Halkitis: Sure, let me come back to my previous point about the quality of the regulation. When you are in the retail foreign exchange business it's a good thing to be seen in and to be operating from a well-regulated jurisdiction.

We pride ourselves as being one of the leaders in the industry in terms of both of size and in terms of how we operate. Our main focus is in Europe and Asia and so when we wanted to come to this side of the world we looked at some other jurisdictions as well but decided on The Bahamas.

As you know, the foreign exchange business relies heavily on technology and so we have the ability to have connectivity by high speed Internet and also access to people in terms of compliance and corporate services, accounting, that we can source. Migration wasn't an issue either, and so the beginning of our operations here has been very smooth.

We believe that there is room for the expansion of this segment of the industry and we think as long as we remain well-regulated, we will see growth in the financial industry. So in a way we are a testimony and promotion of The Bahamas as a place where this sort of business can thrive going forward. Technology has made the world smaller, so I would think that there would be opportunity for many different types of business because we have access to the technology.



Summing up, our experience so far has been very good and we are looking forward to grow and expand here, and we anticipate that others will see the benefit of being in The Bahamas. Someone who wants to establish here in whatever type of financial service business can be physically here and service your clients from around the world. You can essentially start in a very lean or efficient way and outsource certain functions, e.g. accounting, corporate services, or compliance – to existing local players.

We and other firms coming here can thus draw on a very deep and healthy infrastructure. That on itself is the other very healthy component that helps to create further room to grow.

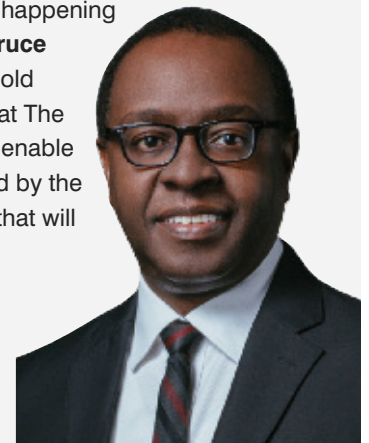
Oscar Johnson: I agree that the traditional services which have been offered from The Bahamas in the financial services sector, have been trust services to private clients, banking services, and services as a platform for investment activities worldwide or here in The Bahamas; and while those services are being altered and affected by the changing regulatory environment, there are other services, both from the financial services perspective as well as from a technological perspective which are being created, and the opportunities for the growth in those services and in those sectors are becoming greater and greater.

It has been mentioned that the government has passed legislation which would enable tech companies to come to The Bahamas. I agree that technological offerings, support from technological entities and the development of technology software are among the areas that will provide the future for a country like The Bahamas. Those are some of the areas where young Bahamians are going to find new jobs with a significant upside for the future.

The Bahamas is now also introducing computers into the curriculum throughout the school systems including in nursery education, where the pupils are being exposed to computers and to the new technologies that are going to drive the world's economies going forward.

And we can also mention a number of **success stories** which have already happened or are still happening that involve companies right here in The Bahamas. The one that immediately comes to mind is **Bruce Raine's** company, IPBS it's called. He is a Bahamian developer of banking software that he has sold around the world. And so in a sense he was the forerunner for the new technological initiatives that The Bahamas is about to embark upon in order to create a third pillar of the economy that is going to enable the Bahamian economy to grow and to thrive. I believe that this initiative that is being championed by the government, along with BFSB and other players in the financial services sector, is a key initiative that will augur well for the future of The Bahamas.

In addition to the increased focus on technology, The Bahamas continues to refine its existing products and to develop new products to respond to the changing regulatory landscape and



client demands; for example, we have continued to amend and refine our trust legislation, the Commercial Enterprises Act was passed earlier this year to streamline the regulatory approval process for businesses in certain sectors and the Investment Funds legislation is in the process of being overhauled.

Ryan Pinder: I agree that there is a lot of promise in a lot of different areas, but the reality is that it's not only promise but from what we see coming through a number of clients that we have, but real life activity.

Michael represents a significant retail FX broker/dealer. We have actually seen a significant **increase in activity in the retail broker-dealer space** with a number of firms being licensed in the last six to nine months, who we have represented. The service provider composition in the financial services industry has started to dramatically broaden in The Bahamas.

This diversification is continuing, and like Oscar's firm we have also seen a significant interest in technology innovation and clients look into The Bahamas as a platform for that. For example, we have represented a world leader in **FinTech** market analytics who has entered The Bahamas through the commercial enterprise's legislation that was recently passed to set up activities in The Bahamas where it will attract programmers in market analytics and in **Artificial Intelligence** to be from within The Bahamas, exporting those services to its head office and its ultimate client to all across the world. I think that's the first of its kind or within FinTech to come and locate from within The Bahamas.

We have also represented clients who are **moving headquarters**. Headquarters are obviously a significant part of substance and we see that one of the largest commodity proprietary trading headquarters of a multinational company has now relocated to The Bahamas from a competing jurisdiction. So that company recognized The Bahamas as a preferred jurisdiction to headquarter its proprietary trading. That firm has been approved and is setting up operations as we speak in The Bahamas. With every single company of that type setting up, the **network and cluster effect** gets stronger here, which is something our and related industries will eventually benefit from.

We have also seen significant interest in marrying cryptocurrency and Blockchain technologies with our regulatory environment for investment funds. So our firm alone has licensed and established over the last three months almost **10 cryptocurrency funds** for some of our clients who are looking at The Bahamas as a platform to centralize their cryptocurrency and Blockchain activities here.

Therefore, I agree with Oscar that our future in technology and innovation is bright. Of course there is global competition from this business, but people like us can really see this industry propagate and grow today in The Bahamas on the base of our **regulatory stability, the political stability, Certainly the location** in this part of the hemisphere, and frankly, our sovereignty make The Bahamas a clear choice of that innovation.



Tanya McCartney: Tied to the well-regulated environment we operate in is the **collaborative approach that exists between private sector and supervisory agencies**. While the supervisory agencies do their jobs in terms of oversight and ensuring adherence to regulation, there is also an openness to collaborate with the industry as it relates to product development in order to ensure that legislation or regulation serves the purpose of promoting growth as well.

I think this collaborative approach differentiates us from some other jurisdictions, a fully rigid approach might be taken elsewhere as it relates to regulation but the collaboration between both sides allows for innovation, it allows for product development, and we have a history of this in terms of some of the products that we have been able to develop. The **ICON Fund** was designed for the Latin-American market, Brazil in particular, but that would have taken collaboration between the regulators as well as private sector as well. So, we have a very good two-way relationship.



Matthias Knab

You mentioned FinTech and Blockchain, cryptocurrencies – there is also kind of a race going on in that sector, you have jurisdictions like Gibraltar, Malta, Singapore, Switzerland, Liechtenstein, Bahamas, Cayman, Bermuda, and probably the US as well all working on that as well. Do you have, any comments regarding where you are in that race?

Ryan Pinder: *I think it's a very interesting race because the question is to regulate or not to regulate. And then, if you regulate, how much you regulate, and what do you regulate? Different jurisdictions are taking different approaches with respect to that, and certainly, you want to get that right, but you want to get it right in a very timely fashion as well.*

The Bahamas Financial Services Board hosts and coordinates a FinTech cryptocurrency working group of industry professionals that develops policy for government to consider. And then the regulator, the Securities Commission of The Bahamas, has formed a working group which includes both government private sector and regulatory input in order to be able to try to get the regulatory landscape right the first time.

If you don't get it right the first time, then you will quickly fall away. It's easy to be an "interested jurisdiction" because all you have to do is talk about Bitcoin and cryptocurrencies. It's more difficult to be a successful jurisdiction because for that you have to get that platform correct the first time.



I noticed that Bermuda just passed ICO legislation recently. The question is how much do you regulate that, because that can decide whether that's going to attract or repel business. And so, *I think that you don't necessarily have to be first, you certainly don't want to be last, but certainly, being right in the second tier with respect to that platform and implementation is what is needed.*

I think that The Bahamas is well-positioned in that, it's not making hasty decisions to be first, but it's being reasoned decisions of be timely and to lay the proper regulatory framework in FinTech, in cryptocurrency, in ICOs, and certainly in Blockchain technology.

Matthias Knab

You had mentioned that a number of family offices have chosen The Bahamas as their headquarter, what makes The Bahamas the clear choice for families or wealthy individuals to relocate?

Tanya McCartney: There are several things that make The Bahamas the ideal location where individuals are considering, moving and actually making this their home. I believe ultimately people want quality of life which encompasses a wide range of aspects such as the environment, international schools, access to healthcare, the general infrastructure – telecommunications – we can offer all of that.

Accessibility is also critical. We have a state of the art airport and The Bahamas is ideally situated with air traffic from Europe, the United States, Latin America, and so in terms of ease of getting here, I think that is also a plus. So those factors kind of lay the base. People want easy access and that their families have a good quality of life. When a wealthy individual then wants to set up a family office operation, then may then also want to bring in persons such as their Chief Investment Officer.

Well, the Immigration Department facilitates access to the international talent that you need where necessary, then we also have local talent as well to support the business that you do. So, there is a healthy cadre of local attorneys, accountants, it specialists and other professionals, who can support the business and the management of assets here in The Bahamas, which is a credible jurisdiction. People want, like I said, to be in a credible jurisdiction. So, having said that, I believe that a solid foundation is laid as to why people would consider The Bahamas, and we see it too with some of the large developments here.

I don't want to call any by name particularly, but we have some very large residential developments here that have married a corporate or commercial element to it. You literally can live, work and play in these communities. We have found that to be **attractive to ultra high-net-worth individuals**, who want to relocate to the jurisdiction.



Oscar Johnson: Also, from a historical perspective, and as regards the thrust for substantial presence; The Bahamas has been a forerunner in providing the arena for **second homes** or for emigration of high-net-worth individuals to the country.

Lyford Cay and various other residential communities have been established for decades in The Bahamas and have attracted these individuals to The Bahamas to live permanently here, or to have second homes, enabling executives of companies established in The Bahamas, and individuals, to engage in worldwide business activity. Such companies or individuals have always found that, firstly, with its direct flight connections, and as The Bahamas is within close proximity to the United States, it therefore provides access whereby they can travel anywhere in the world, quite readily. And secondly, that The Bahamas has always provided a platform whereby they can engage in their business activities from here with great ease.

Two of the largest and most iconic multi-dollar dollar developments in the last 30 years were created by families who were permanent residents of The Bahamas. Although the ownership has subsequently changed, these developments have been significant economic drivers for the Bahamian economy.

Communication has always been good. The environment from a political standpoint, and otherwise, has always been stable, and as a result, **high-net-worth individuals have resided in The Bahamas for a number of generations now**, whereas, there are some other jurisdictions that are just now



touting themselves as locations that would be favorable for persons to emigrate to live within.

The Bahamas is mature in that sense and offers both the traditional expectations that executives and high net worth individuals have, as well as new and evolving opportunities for individuals of the nature referred to by Ryan. These include business opportunities that persons can engage in from The Bahamas, and so you have persons who move here for various reasons: high net worth individuals, as well as executives, who engage in a variety of high value businesses, trading activities, and the like. We have recently facilitated the move to The Bahamas of companies engaged in oil trading, and investment activities, which were attracted to the jurisdiction for the reasons mentioned.

A result of this is the continued development of The Bahamas. For example, if one were to go to the Western end of New Providence, the **new office parks and residential development** reflect the degree to which the economy is developing and growing.

Michael Halkitis: I just wanted to add that in The Bahamas we have **700 beautiful islands**, and so individuals who are thinking about relocating, they can have a choice of whether they want to come to the capital, whether they want to go to the second city, or whether they want to go to one of the other islands.

And again, the infrastructure is there, so, in terms of technology you are always connected. So, that is one added advantage of this jurisdiction that you can decide whether you want to be in New Providence, in Grand Bahama or in one of the other islands.



Matthias Knab

That could be the right point to add a bit of geographical background on The Bahamas. Where are the economic centers of The Bahamas, and how developed are those 700 islands Michael mentioned?

Tanya McCartney: The Bahamas, as a country, is made up of many islands. The capital is **New Providence**, which I will say is the business/financial center and the hub for the country. You have the presence of many international financial institutions here in New Providence, that is where they locate, and so Nassau on New Providence, touristic hub as well as the business center.

But, we have been able to position **Grand Bahama** as an industrial island. Freeport, Grand Bahama, has a large container port that serves as a hub for the transshipment of goods, for example to and from Latin America. Over the year we have also had pharmaceutical companies or oil refinery companies there, and as was indicated, the government's thrust is to make Grand Bahama also a technology hub, as it is already a strong industrial center.

But outside of that you also have the Island of **Abaco**, where we see a lot of second home-owners deciding to relocate. There is a good quality of life. The pace is not that of New Providence, and so we find people relocating there. In addition to Abaco there is a major development in **Exuma**, that's another island where we have a major international hotel brand present there. Over the years governments have tried to put what was called Anchor Projects on most of the other islands, and so you will find good infrastructure and access to proper accommodation on some of the islands.



The Bahamas, known officially as the Commonwealth of The Bahamas, is an archipelagic state within the Lucayan Archipelago. It consists of more than 700 islands, cays, and islets in the Atlantic Ocean, and is located north of Cuba and Hispaniola (Haiti and the Dominican Republic), northwest of the Turks and Caicos Islands, southeast of the United States state of Florida, and east of the Florida Keys. The capital is Nassau on the island of New Providence.

The Bahamas is the site of **Columbus' first landfall in the New World** in 1492. At that time, the islands were inhabited by the Lucayan, a branch of the Arawakan-speaking Taino people. The islands were mostly deserted from 1513 until 1648, when English colonists from Bermuda settled on the island of Eleuthera.

The Bahamas became a **British crown colony in 1718**, when the British clamped down on piracy. After the American War of Independence, the Crown resettled thousands of American Loyalists in The Bahamas; they brought their slaves with them and established plantations on land grants. Africans constituted the majority of the population from this period. Today, Afro-Bahamians make up nearly 90% of the population.

The Bahamas became an **Independent Commonwealth realm in 1973**, retaining the British monarch, then and currently Queen Elizabeth II, as its head of state. The Bahamas has an estimated population of 391,232.





In terms of gross domestic product per capita, The Bahamas is **one of the richest countries in the Americas** (following the United States and Canada), with an economy based on tourism and finance.

The closest island to the United States (50 miles) is Bimini, which is also known as the gateway to The Bahamas. The island of Abaco is to the east of Grand Bahama. The southeasternmost island is Inagua. The largest island is Andros Island. Other inhabited islands include Eleuthera, Cat Island, Rum Cay, Long Island, San Salvador Island, Ragged Island, Acklins, Crooked Island, Exuma, Berry Islands and Mayaguana. Nassau, capital city of The Bahamas, lies on the island of New Providence. The highest point in the country is Mount Alvernia (formerly Como Hill) on Cat Island. It has an elevation of 63 metres (207 ft).

The climate of The Bahamas is tropical savannah climate, so a warm and winterless climate. **There has never been a frost or freeze reported in The Bahamas.** There is only an 8 °C difference between the warmest month and coolest month in most of the Bahama islands. The economy has a **very competitive tax regime**. The government derives its revenue from import tariffs, VAT, licence fees, property and stamp taxes, but there is no income tax, corporate tax, capital gains tax, or wealth tax. Payroll taxes fund social insurance benefits and amount to 3.9% paid by the employee and 5.9% paid by the employer. The US currency peg is well-sustained with monetary policy, and **High Court is the UK Privy Council**.

Ryan Pinder: One aspect to recognize is that we are all talking about a services-based industry and that **services-based industries are by their nature mobile**. As long as you have the infrastructure you need, you can perform services anywhere.

And The Bahamas does have a number of options in which you can utilize that all of the primarily inhabited islands have access to high-speed Internet and have access to airlift and the basic infrastructure that you would need.

For instance, although **Harbour Island** is an island that is primarily geared and focused on high-end tourism, we know a number of individuals who are in the financial services industry actually conducting their business from within Harbour Island because that's where they prefer to live.

So just as Michael said about The Bahamas offering a range of different options where you can physically live and set up, those individuals preferred to get out of Nassau and be in a place such as that. You see the same happening in Exuma, for example, because the infrastructure is there as well.

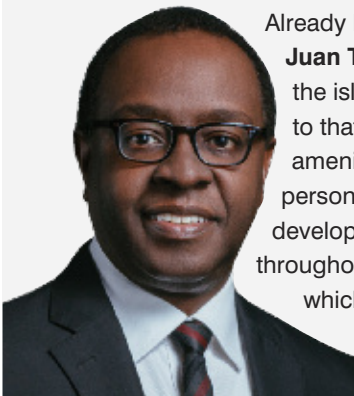
Again, this can happen because of the nature of the services industry, and many of the clientele we are looking to attract are also in the services industry. As a mobile industry, players have the ability to participate from a range of locations within The Bahamas, so not only Nassau or Freeport. One of my clients who is in the FinTech business is buying a house in Eleuthera on a place called **Windermere Island**, which is a glorious place, because he had decided to conduct his business and contribute to the global FinTech evolution and service clients from all over the world from his beachfront home in Eleuthera. For this type of clientele, The Bahamas is viewed as extremely attractive from both a business and life style perspective.



Tanya McCartney:

I would add that all of the other islands that we have referred to outside of Nassau have airlift as well – these are international airports with direct flights coming in from out of the United States, and so in terms of accessibility you can actually get a direct flight out of one of the cities in the United States for example to Eleuthera, to Abaco, or to Exuma.

Oscar Johnson: *I have touched upon the point that The Bahamas has been a jurisdiction where high net worth individuals have lived and relocated to for many decades. When we look at the reasons why these individuals would have relocated to or established second homes in The Bahamas 40 or 50 years ago, the same reasons still exists.*



Already back then, many of the people who came were titans in their respective industries. For example, **Juan Tripp**, who founded Pan American Airways was one of the persons who had great investment in the island of Eleuthera. He had an estate in South Eleuthera, and brought significant economic activity to that island; establishing an airport capable of accommodating jet travel, and numerous additional amenities. Part of his former holdings is now being further developed and made available to other persons who wish to buy-in. This is replicated around The Bahamas. In the Abacos, Walker's Cay was developed by **Robert Abplanalp**, another titan of industry, and you can see that process replicated throughout The Bahamas. The type of environment that such persons were drawn to is the environment which still exists today, although in its modern form.

Tanya McCartney: Outside of that, while The Bahamas is a Commonwealth country and so English speaking, we operate in a **multi-currency environment and have multilingual staff and institutions** here.

Within the institutions you will have access to Spanish, Portuguese, French, and we are also a **tax-neutral environment**. These factors are actually vital and help to make The Bahamas an ideal location for anyone looking to relocate or to access the broad range of financial services that we offer.



Matthias Knab

I wonder, how strong is the cluster effect here in The Bahamas? When you look at other prominent global business hubs or clusters such as Silicon Valley, New York or London, apart from infrastructure, a lot comes down to people and capital.

You said that many projects here on The Bahamas are actually financed from wealthy individuals residing in The Bahamas, so let's look and analyze the cluster effect and the cross-pollination between capital and also human capital with close to 400,000 people living here.

Ryan Pinder: This is correct, a healthy and growing cluster has developed here early on with our historical focus on private wealth, which got then a very visible boost many decades ago when **Sir John Templeton** decided to build his international component of what is now Franklin Templeton from within The Bahamas many decades ago. Much of the international advisory services of that institution is now done through The Bahamas, and he did that after becoming a resident of The Bahamas and enjoying and falling in love with the country.

The largest single capital investment project in the history of The Bahamas was undertaken by a family who was multi-generational living here, and the impact on the GDP and economic growth and well-being of the country is evident when you have a multibillion dollar capital injection into the economy. What some people regard as the most successful or certainly it is highly successful residential development project here on Nassau, was undertaken by a gentleman who has a long-standing residence and claims residence from within The Bahamas as well. So while these things are nothing new, let me point out that the **scale of the investments** that I have just mentioned are very large and significant.

That also translates into medium and smaller size capital investment projects which aren't in the newspapers all the time, but originate from people who have fallen in love with what The Bahamas has to offer them in their personal and professional lives. When you look at small island countries, the items that are attractive to The Bahamas are really unique, I actually call it the **Cluster of Benefits**: You have long-standing political stability and a long-standing financial stability, so we don't have a history of significant volatility in the banking and finance sector. It doesn't matter which administration is in power politically, these types of activities are supported equally by the government. We also have a US currency peg here in The Bahamas that is well-sustained with monetary policy, and our **High Court is the Privy Council**.

This means we really have that international judicial stability, and you would be very hard-pressed to find a country that has all of those benefits for investors and for those looking to base themselves and do business from within The Bahamas, particularly when you add the fact that our **closest point is 50 miles to the United States** as a sovereign jurisdiction. This is really unmatched as to the reasons why those individuals want to look to relocate to The Bahamas and then secondly look to put substantial capital investment into The Bahamas or base some of their largest business operations here.



Oscar Johnson: Ryan was referring more to people, capital and operations coming to The Bahamas, and this of course is supplemented by Bahamian capital, as Bahamians invest in various areas of the economy as well. So you will see medium-sized hotel and residential developments financed by Bahamian and foreign capital. Right here in the City of Nassau a new spurt of development is taking shape, where the groundwork has been laid for the redevelopment of a portion of the city, and there is built-up demand that exists for that development to take place.

There is this fruitful cross-section of activity that is available in The Bahamas for foreign high-net-worth individuals and other foreign residents who move here and wish to engage in medium scale development, supplemented by the development activity of Bahamian residents and citizens. I think this is an excellent mix, and to a certain extent a result of the changes which are taking place in the international regulatory environment, which will bring focus to the opportunities that are available for investors to refocus their activities in anticipation of some of the impacts of the regulatory changes that are taking place, and then avail themselves of the opportunities that are readily accessible in and from within The Bahamas.



Matthias Knab

Some times an island country or jurisdiction can be hampered by the availability of land, infrastructure and office buildings. Just from a landmass perspective, with 13,878 km² (5,358 sq mi) The Bahamas appear to score nicely against some other island jurisdictions, which sometimes can be just a fraction of that. So let's say you are a tycoon somewhere and you are thinking to put an operation somewhere on The Bahamas, how would you describe the situation here for him or her regarding office space and infrastructure?

Ryan Pinder: I think the old adage "if you build it, they will come" applies. I don't think that you have a demand issue with respect to office space or where you are going to put your commercial operations. And uniquely, different sectors of the island have developed to meet that type of demand.

For example, if you go to the western part of Nassau, you will note there are a lot of office buildings and commercial campuses that are available. Tanya had mentioned earlier that there are even residential developments that are incorporating a commercial element to their development plan. Those persons who want to live where they work can do so from within one development. Certainly, there has been no lack of innovation with respect to the property developers of the jurisdiction on what they are going to build and who they are going to service with respect to that availability.

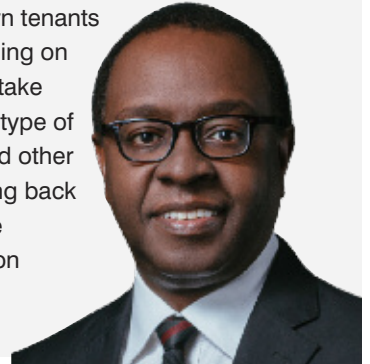


Coming back to your question, I personally don't see a bottleneck but rather **continual investment into new facilities**. I think there are at least three commercial campuses under construction now in Western Nassau where we will see new facilities completed within the year. I know, Oscar, that your firm just developed a large office offering in the Western Nassau and so you could probably speak to that.

Oscar Johnson: Yes, an investment group amongst various persons with whom I work saw the level of activity that was taking place in the western area of New Providence, and in order to have a presence there and to supplement the offerings that were available there engaged in a development project, which resulted in the creation of office space, purpose-suited and at the highest levels in terms of accessibility, by way of Internet, telephone, and videoconferencing, which are commonplace now in New Providence, so that persons can reach anywhere in the world, participate in conferences, and facilitate the new business activity which is being attracted to The Bahamas.

There is a proposed commercial campus adjacent to the premises developed by us in Western New Providence, which has been cleared and is on its way to breaking ground.

So the availability of **Class A office space** that is purpose-suited to the needs of the most modern tenants and the most modern business activities is readily available in New Providence, and more is coming on stream; which is in addition to the **revitalization of the Nassau Downtown core** that is going to take place very shortly. With that, even more spillover activities will flow as it is going to be a multiuse type of development plan, having a residential component, an entertainment component, restaurants and other amenities. We will see the growth of people living and working right in the city core, which, coming back to the cluster effect, will then attract even more people coming to work and live here. I believe the opportunities that are being presented in terms of development and the effect that that will have on business are going to be very significant.



Tanya McCartney: While there is no shortage of residential or commercial properties in New Providence, there is also tremendous opportunity as well for the development of commercial space in Grand Bahama. While there has been a lot of industrial development and focus on that island, the hope is that also Grand Bahama will transform into a technology hub and there is tremendous opportunity for development there if somebody is looking to relocate.



As we move forward, I think the focus is going to be on creating or having real **international business** here in The Bahamas, so with substance, with staff, with headquarters, and real economic activity. We know that there are a number of options available to individuals who are looking for a jurisdiction, and we believe The Bahamas will be able to provide what they need. From my perspective, we certainly see further growth as international business center, which includes financial services and other sectors.

Michael Halkitis: You mention financial services, and indeed, speaking here from both my experience as a Minister of State for Finance as well as now being in the private sector, one thing The Bahamas does have that many other jurisdictions struggle with, is a positive and proactive relationship between the government, policymakers and the industry participants through institutions such as Tanya's, The Bahamas Financial Services Board that coordinates industry matters.

I think that as a result of this relationship the country has become a lot more **nimble and responsive** to changes. We see it in the development of new products and in the development of legislation that that works from an industry point of view, but satisfies all of the criteria from an international regulatory point of view, which is always a difficult balance to achieve when you are getting external pressures from policymakers and others who don't participate in the industry. It is a challenge and a fine line,

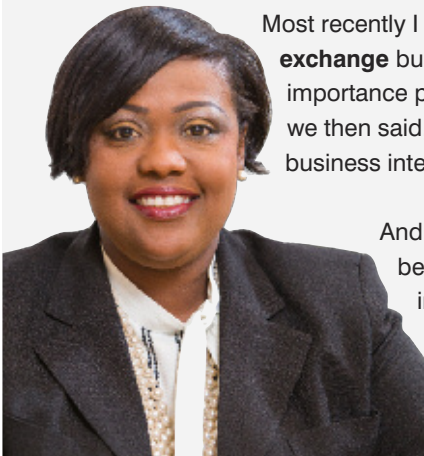


but in my view – again, looking from both sides, private enterprise and government – The Bahamas has been able to get that *balance between proper input and consultation from industry and serving all the requirements that a policy or government may need to serve*.

This is a significant aspect on why The Bahamas has been a successful international financial center since the late 1800s. Also from a historical perspective, one of the very significant assets of The Bahamas as a jurisdiction for financial services has been that security and confidence that your opinions and your suggestions will be meaningfully taken into consideration regarding either fundamental changes or new product development or legislative reform.

Tanya McCartney: I can only add that if an individual is considering why they should come to The Bahamas, whether it is a financial institution or a startup looking to enter into the market, they should know that there is a forum, The **Bahamas Financial Services Board** by which industry really drives how the sector develops and innovates. BFSB represents industry.

And so for example, if there is a particular product that we do not currently offer, industry will come together, we will conduct the feasibility study on the product, do an impact assessment as to what it means for the market, conduct benchmarking. We will draft legislation. So we will draft legislation and then meet with government to talk about the objects and the reasons. At that point then the policy implications are discussed and we work it out together, and so to a large extent the private sector drives growth within the industry.



Most recently I had someone who was interested in coming into this market, in a **cryptocurrency exchange** business, and while this area is one that is not regulated at the moment, we talked about the importance perhaps of regulation to buttress the credibility of the jurisdiction, but in talking about that we then said, what would private sector like that regulation to look like in terms of balancing your business interest with the need for proper supervision.

And the next step will be to benchmark what is out there, to look at what serves the business best and then we will develop it to work with government, to balance our policy and business interest. And I don't think that happens in other jurisdictions that way. Many instances you find that it's top-down, and so we are able to balance regulation with business needs.

Matthias Knab

Is there an update about the Investment Funds Act?

Ryan Pinder: With respect to the new Investment Funds Act, the draft legislation has been prepared and has been consulted with government. The Act is actually an initiative being led by the Securities Commission of The Bahamas, the regulator, and so that's the third prong, where we have natural integration into these developments, with both a legal committee and a project team from industry that has input into the legislation.

By now, the legislation has gone through a couple of rounds of industry consultation and comment and revised accordingly. The regulations have been prepared and there will be industry consultation. I think the goal of the Securities Commission is to have this finalized and hopefully before parliament, before they break for the summer recess.

So we could look in, in third quarter, fourth quarter to have a whole new investment funds regime in The Bahamas that will significantly broaden the scope of fund offerings and be world-class regulatory framework, taking into consideration the flexibility that currently exists globally with respect to different types of investment funds.



Matthias Knab

What do you see as the main attraction points of the new investment funds regime?

Ryan Pinder: Historically The Bahamas Investment Fund Regime has been very private wealth focused, and so in that regard we had extra fiduciary obligations, it could be argued, on the fund administrator and we didn't have a framework for a fund manager or a fund promoter to be a regulated person as the institutional fund jurisdictions might have. And so we have reformed that in that now we are separating responsibilities.

We are creating a fund manager regime that is regulated, so the manager is the promoter and the one that would carry the fiduciary obligation, relieving the administrator of any fiduciary obligation and being solely a service provider in administering the fund.

We think certainly that would attract, one, more world-class administrators to the jurisdiction that are in the institutional fund space, but also will attract world-class fund managers and promoters to the jurisdiction to bring that business to The Bahamas. Certainly, we are not abandoning our position as a world leader in private wealth fund structuring because that's very important for certain markets that we cater to, but we want to be world-class jurisdiction for the institutional activities and also for the fund promotion activities.

And so I think, I have already had clients who manage institutional funds globally, who have a significant presence in The Bahamas, eager to see this legislation pass, because they are looking forward to **re-domiciling a number of significant institutional investment funds** to the jurisdiction once we have that regulatory regime in place.

And so the response has been very positive from clients. I think we can see certainly an uptick in funds licensed in The Bahamas and funds administering and being managed from within The Bahamas on the institutional level.





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