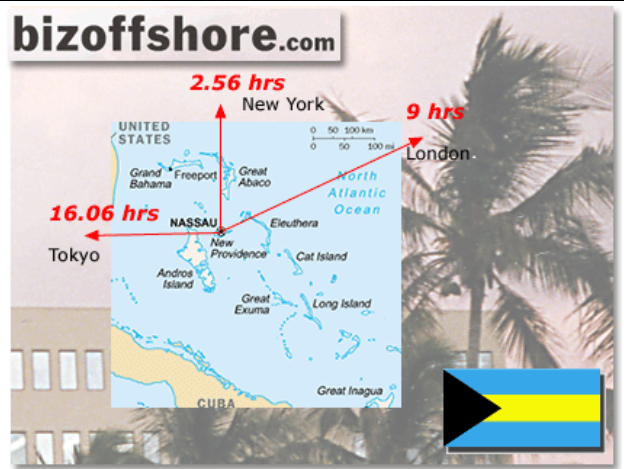


## Bahamas

The Bahamas' economy relies heavily on tourism but financial services are growing in importance. Although the Bahamas' history in providing banking and trust services to the international financial community can be traced back to the 1930s, its growth as a significant OFC has been relatively recent, with most of the key legislative provisions only being enacted over the last decade. There is a substantial banking sector, second only to the Cayman Islands among offshore jurisdictions with licensed banks from more than 30 countries and a total asset base nearing \$1 trillion. Mutual Funds and Trust Management have been of particular importance in the Bahamas with more than 800 funds representing in excess of \$160 billion in assets under administration. In addition more than 130,000 International Business Companies have been formed in the Bahamas, many of them as holding companies for investment or trading activity in other countries. In 1999, the government set legislation in place covering stock and securities exchanges and the Bahamas' new stock exchange was opened in May 2000. The insurance sector is small (with assets of \$870 million) but the government is targeting insurance as a sector for expansion.



### Current Time

[Time and Date](#)

### Country Motto:

"Pirates expelled, Commerce restored."

The Bahamas is an archipelago of 700 islands 78 kilometres off the east coast of Florida, USA with a population of just over 300,000. The two largest islands are New Providence (where Nassau, the capital city, is located) and Grand Bahama (where Freeport is located). In July 1973, the Bahamas became an independent country within the British Commonwealth.

### Online News Sources

The Nassau Guardian

[www.thenassauguardian.com](http://www.thenassauguardian.com)

The Bahama Journal

[www.jonesbahamas.com](http://www.jonesbahamas.com)

## **Business Environment**

The new Bahamian government in 2002 emphasised its determination to maintain the Bahamas as a fully compliant international financial centre. In terms of business and communications infrastructure the Bahamas are very well developed. The jurisdiction has a comprehensive regulatory structure and there is a wide range of professional services in the Bahamas, particularly for banking, mutual fund administration and trust management.

The legal framework allows for the incorporation of banks, trusts, insurance and reinsurance entities, mutual funds, international business companies, limited duration companies and exempted limited liability partnerships. The Bahamas is a member of the Caribbean Community (Caricom).

The government has worked hard to avoid use of the Bahamas for money laundering since being named as one of the original 15 jurisdictions blacklisted in June 2000 by the Financial Action Task Force ("FATF") as 'non-cooperative' in preventing money laundering. The FATF removed the jurisdiction from the list in June 2001 after the Bahamas made a series of wide ranging amendments to its legislation. The Bahamas also was blacklisted by the Organisation for Economic Co-operation and Development as one of the 35 jurisdictions considered to be a tax haven. The jurisdiction was removed from the blacklist in March 2002 after signing a letter of commitment with the OECD agreeing to exchange information with overseas authorities in criminal tax matters by 31 December 2003 and in civil tax matters by 31 December 2005.

The legislative and administrative changes brought about by the FATF blacklisting were designed to bring the financial services sector into compliance with international standards. Nine new laws passed at the end of 2000 provide for more comprehensive supervision of financial institutions, corporate service providers and international business companies. The key changes include giving the Central Bank of the Bahamas operational independence and the power to issue and revoke bank and trust licences. The legislation allowed for increased information sharing with overseas regulators, the upgrading and broadening of client identification requirements and suspicious transactions reporting, the establishment of a financial intelligence unit, the introduction of licensing of financial and corporate service providers and the abolishment of bearer shares. The legislation also required all banks to have a physical presence in the jurisdiction. Since the passage of this new legislation, the total number of banks and trust companies declined from 415 in 1999 to 284 in 2003 and, as at the end of March 2005 the number of licenses had decreased further to 262. The number of registered international business companies fell below 80,000 by the end of 2001 from about 110,000 in 2000, reflecting a reduced rate of new incorporations and significant unwinding of existing companies. However this number has since rebounded to 135,043 at the end of 2004. The number of licensed mutual funds operating from or within the Bahamas stood at about 700 in December 2001, with managed assets at about US\$90 billion compared to a total of 716 active funds in 2000, with a slightly higher value of managed assets. However, as at the end of 2004 the number of active investment funds has increased to 838 with the corresponding value of assets rising to an estimated \$163.4 billion.

The Central Bank of the Bahamas is responsible for regulating banks and trust companies under the Banks and Trust Companies Regulation Act. The Securities Commission of the Bahamas (SCB) is responsible for regulating the securities market under the Securities Industry Act and the Mutual Funds Act. The Registrar of Insurance regulates the insurance sector under the Insurance Act and the External Insurance Act. The Inspector of Financial and Corporate Service Providers is responsible for activities licensed or registered under the Financial and Corporate Service Providers Act. The Gaming Board is responsible for gambling activities. The Compliance Commission is responsible for enforcing compliance with anti-money laundering rules and regulations found in the Financial Transactions Reporting Act, 2000, the Financial Transactions Reporting Regulations, 2000, and the Financial Intelligence (Transactions Reporting) Regulations 2001.

Announced at the time of the 2005/2006 budget presentation to Parliament, in June 2005, was the establishment of a Committee representative of all the financial services regulatory institutions - the Ministry of Finance, the Central Bank, the Registrar of Insurance, the Securities Commission and the Registrar General- to consider options for consolidating these agencies into one or more regulatory entity.

The Bahamas also offer The Bahamas' Shipping Registry which has been very successful for larger vessels. The Registry is regulated by the Bahamas Maritime Authority. Ships are registered under the Merchant Shipping Act of 1976. A vessel must be engaged in 'foreign going trade', weigh 1,600 tons or more, and be under 12 years of age to be registered in the Bahamas. Vessels more than 12 years old may also be approved for registration, subject to a condition survey. The operations and income associated with Bahamas flag vessels are tax-free, as are capital gains on the sale of vessels.

The Freeport Harbour free trade zone is operated by the Grand Bahama Port Authority. Under the Hawksbill Creek Agreement, businesses in the free trade zone pay no taxes on profits, capital gains, inheritance, income, earnings, distributions, gifts, or on imported and exported goods. In addition, import duties and taxes on real estate have been waived until 3 August 2015.

The Bahamas Investment Authority was established in 1993 as a "one-stop-shop" to help investors with projects and grants approvals through co-ordination with other government agencies.

## **Taxes**

The Bahamas levies no taxes on capital gains, corporate earnings, personal income, sales, inheritance, or dividends. Annual government fees are imposed on businesses and there are national insurance, stamp duties and property taxes. Offshore operations take place through International Business Companies or other tax-exempt forms.

## **Stock Exchange**

The Bahamas International Securities Exchange Limited (BISX) was launched in May 2000. The BISX is incorporated as a private company and is owned by 45 shareholders, including stockbrokers, banks, investment companies, pension funds, mutual fund administrators, corporations, and individuals. In November 2003, the BISX gained affiliate membership of the

International Organisation of Securities Commissions (IOSCO). By the end of 2004 there were 19 domestic public companies listed on the BISX with a market capitalisation of just over \$1.9 billion. In January 2005, the BISX reported that the BISX All Share Price Index appreciated by 19.7% points to 1,039.4 points, a marked rebound from the narrowed decline of 2.0% in 2003. The volume of shares traded on the BISX in 2004 were also significantly higher, doubling to 8 million shares in 2004 with the value higher at \$24.3million from \$7.5million in 2003.

In response to the BISX's mid-2003 lowpoint, the Minister of State for Finance, James Smith, appointed an ad hoc special committee of financial experts to make recommendations on the future operations of the exchange. The report is to be presented to the government in 2005 and it is expected that amongst the recommendations most likely to be enacted are greater participation in BISX listed stocks by the Bahamas' National Insurance Board, whose reserve fund amounts to more than \$1.23 billion.

A listing facility for mutual funds was launched in April 2001.

## **Key Contacts**

The Bahamas Investment Authority  
P.O. Box N-7770  
West Bay Street  
Nassau, The Bahamas  
Tel: (242) 327-5970/4  
Fax: (242) 327-5907  
Internet: [www.opm.gob.bs/bia.php](http://www.opm.gob.bs/bia.php)

Bahamas Financial Services Board  
Mail: P.O. Box N-1764, Nassau, Bahamas  
Location: British American Insurance House, 4th Floor  
Marlborough Street and Navy Lion Road  
Nassau, Bahamas  
Tel: (242) 326-7001 or 4  
Fax: (242) 326-7007  
E-mail: [info@bfsb-bahamas.com](mailto:info@bfsb-bahamas.com)

Bahamas International Securities Exchange  
#8 Village Gardens  
Village Road & Village Gardens  
P.o. Box EE-15672  
Nassau, Bahamas  
Email: [info@bisxbahamas.com](mailto:info@bisxbahamas.com)  
Tel: (242) 394-2503  
Fax: (242) 323-2320  
Internet: [www.bisxbahamas.com](http://www.bisxbahamas.com)

Registry of Companies

Rodney E. Bain Building  
Shirley & Parliament Streets  
P.O. Box N532  
Nassau, N.P., The Bahamas  
Tel: (242) 322-7147, (242) 322-7160  
Fax: (242) 322-5553

Securities Commission of the Bahamas  
3rd floor, Charlotte House  
Shirley & Charlotte Streets  
P.O.Box N-8347, Nassau, The Bahamas  
Tel: (242) 356-6291/2  
Fax: (242) 356-7530  
email: [secbd@batelnet.bs](mailto:secbd@batelnet.bs)  
Internet: [www.seb.gov.bs](http://www.seb.gov.bs)

The Bahamas Maritime Authority  
Post Office Building  
P.O.Box N4679  
Nassau, The Bahamas  
Tel: (242) 394 3024  
Fax: (242) 394 3014  
email: [nassau@bahamasmaritime.com](mailto:nassau@bahamasmaritime.com)  
Internet: [www.bahamasmaritime.com](http://www.bahamasmaritime.com)

## **Key Stats**

Country Name: The Bahamas

Population: 301,790 (July 2005 estimate) mostly concentrated in Nassau

Capital: Nassau

Currency: US\$1 = Bahamian \$1 (US\$ is also legal tender)

Legal system: Based on English common law. The Bahamas has a magistrates court, a Supreme Court and a Court of Appeal. Final appeals go to the Privy Council in London.

Government: An independent parliamentary democracy. The British monarch is the formal head of state and is represented by a governor-general. The bicameral parliament is made up of a lower House of Assembly of 40 representatives elected directly every five years, and a 16-member Senate appointed by the governor-general in consultation with elected political parties. The prime minister is the head of the executive branch and heads a cabinet with a minimum of eight other ministers, one being the attorney general.

Executive

Governor-general: Ivy Dumont

Prime Minister: Perry Christie

Cabinet: appointed by the governor general on the prime minister's recommendation.

Political parties:

Free National Movement (leader Tommy Turnquest)

Progressive Liberal Party (leader Perry Christie)  
Coalition for Democratic Reform (no seats).

#### Elections:

In the 2 May 2002 general elections the opposition Progressive Liberal Party won 29 out of 40 seats, defeating the government of the Free National Movement. The PLP won 50.8% of the vote, while the FNM received 41.1% of the vote and seven seats. Four independents were elected to the House of Assembly.

#### Time

GMT minus 5 hours (GMT minus 4 hours in summer)

#### Public holidays (2005)

1 January (New Year's Day), 3 January (New Year's Holiday), 25 March (Good Friday), 28 March (Easter Monday), 16 May (Whit Monday), 3 June (Labour Day), 10 July (Independence Day), 1 August (Emancipation or Kadooment Day), 10 October (Discovery day), 25 December (Christmas Day), 26 December (Christmas Holiday) 27 December (Boxing Day).

Participation in International Organisations: ACP, C, Caricom, CDB, FAO, G-77, IADB, IBRD, ICAO, ICC? (signatory), ICFTU, ICRM, IFC, IFRC, ILO IMF, IMO, Interpol, IOM, IOC, ITU, LAES, MIGA, NAM, OAS, OPANAL, OPCW (signatory), UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WHO, WIPO, WMO, WTO (observer)

#### **Economic overview**

The Bahamas is a stable, developing nation with an economy heavily dependent on tourism and offshore banking. Tourism accounts for more than 60% of GDP. The Bahamas recorded 5 million visitor arrivals (of which 3.6 million came by cruise ship) in 2004 and US\$1.8 billion in tourist expenditures. Financial services constitute the second most important sector of the Bahamian economy, accounting for about 15% of GDP. Manufacturing and agriculture together contribute approximately 10% of GDP and show little growth despite government incentives aimed at those sectors. Overall growth prospects in the short term rest heavily on the fortunes of the tourism sector. In addition to tourism and banking the government supports the development of e-commerce.

Gross Domestic Product: purchasing power parity - \$5.295 billion (2004 est.). 3% real growth (2004 est.)

US\$4.9 billion (current prices). GDP real growth: 5%

Budget: revenues: \$1 billion

expenditures: \$1 billion, including capital expenditures of \$106.7 million (FY03/04)

Inflation rate: 1.2% (year ending September 2004)

Labour Force: About 5% of the labour force works in agriculture, 5% in industry, and 90% in services, of which tourism provides 50% of all jobs. The total workforce was estimated at 156,000. Unemployment was estimated at 10.2% in 2004.

Financial Year: April - March

## **Restaurant Guides**

We recommend:

Graycliff Restaurant- Phone 242-322-2796. 8-12 West Hill Street, Nassau. [www.graycliff.com](http://www.graycliff.com)

Chez Willie - Phone 242 -322- 5364 West Bay St Nassau. [www.chezwillierestaurant.com](http://www.chezwillierestaurant.com)

Cafe Matisse -Phone 242- 356-7012 Bank Lane at Bay st, just north of Parliament Square, Nassau.

Ferry House - Phone 242- 373-1591. Port Lucaya, Lucaya, Grand Bahama Island.