

The Bahamas

RISK & COMPLIANCE REPORT

DATE: January 2019

Executive Summary - The Bahamas	
Sanctions:	None
FAFT list of AML Deficient Countries	Yes
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions International Narcotics Control Majors List Offshore Finance Centre
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering Failed States Index (Political Issues) (Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: citrus, vegetables; poultry</p> <p>Industries: tourism, banking, cement, oil transshipment, salt, rum, aragonite, pharmaceuticals</p> <p>Exports - commodities: crawfish, aragonite, crude salt, polystyrene products</p> <p>Exports - partners: Singapore 25.1%, US 20.6%, Dominican Republic 12.9%, Ecuador 9.4%, Canada 5.8%, Switzerland 4.1%, China 4.1% (2012)</p> <p>Imports - commodities: machinery and transport equipment, manufactures, chemicals, mineral fuels; food and live animals</p> <p>Imports - partners: US 30.1%, India 20.3%, Singapore 8.7%, South Korea 6.8%, China 5%, Colombia 4.5%, Canada 4.2% (2012)</p>	

Investment Restrictions:

The Bahamas does not give preferential treatment to investors based on nationality and investors have equal access to incentives, which include land grants, tax concessions and direct marketing and budgetary support. The GCOB provides guidelines for investments through its National Investment Policy (NIP), which is administered by The Bahamas Investment Authority (BIA).

The NIP outlines available incentives and priority sectors for foreign direct investment. These areas include: tourist resorts, condominiums, timeshare and second home developments; marinas, information and data processing services; assembly industries, high-tech services, ship repair and other services; light manufacturing for export, agro-industries; food processing; aquaculture; banking and other financial services, captive insurance; aircraft services; pharmaceuticals and offshore medical centres. Recent announcements by the government have included strong interest in attracting FDI to non-traditional sectors including alternative energy and agriculture.

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Section 1 - Background

Lucayan Indians inhabited the islands when Christopher COLUMBUS first set foot in the New World on San Salvador in 1492. British settlement of the islands began in 1647; the islands became a colony in 1783. Since attaining independence from the UK in 1973, The Bahamas has prospered through tourism, international banking, and investment management. Because of its geography, the country is a major transshipment point for illegal drugs, particularly shipments to the US and Europe, and its territory is used for smuggling illegal migrants into the US.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Bahamas is on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 19 October 2018

In October 2018, The Bahamas made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. The Bahamas will work to implement its action plan to accomplish these objectives, including by: (1) developing and implementing a comprehensive electronic case management system for international cooperation; (2) demonstrating risk-based supervision of non-bank financial institutions; (3) ensuring the timely access to adequate, accurate and current basic and beneficial ownership information; (4) increasing the quality of the FIU's products to assist LEAs in the pursuance of ML/TF investigations, specifically complex ML/TF and stand-alone ML investigations; (5) demonstrating that authorities are investigating and prosecuting all types of money laundering, including complex ML cases, stand-alone money laundering, and cases involving proceeds of foreign offences; (6) demonstrating that confiscation proceedings are initiated and concluded for all types of ML cases; and (7) addressing gaps in the TF and PF TFS frameworks and demonstrating implementation.

Compliance with FATF Recommendations

The last follow-up to the Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The Bahamas was undertaken (FATF) in 2018. According to that Evaluation, The Bahamas was deemed Compliant for 13 and Largely Compliant for 17 of the FATF 40 + 9 Recommendations. It was deemed Highly Effective for 0 and Substantially Effective for 0 of the Effectiveness & Technical Compliance ratings.

Key Findings

The Bahamas is still completing its ML/TF National Risk Assessment (NRA) and has yet to develop documented national AML/CFT policies. There is a reasonable understanding of ML/TF risks among competent authorities in the Bahamas on account of the NRA exercise, there is a need for this understanding to be placed within the context of The Bahamas as an international financial centre and for it to be shared with relevant stakeholders. Measures also need to be taken to mitigate ML/TF risks. A good foundation for national coordination and co-operation at national level has been established through the Task Force.

The Financial Intelligence Unit (FIU) is a well-structured and resourced unit. While the financial intelligence disseminated by the FIU is generally of good quality, the law enforcement authority (LEA) indicated that some of it required additional work in the furtherance of ML investigations. The focus of investigations and prosecutions on predicate offences has resulted in no ML convictions for the last four years and one ML case that was before the court at the time of the on-site visit.

The Bahamas has assessed its TF risks as low. There have been no TF investigations, prosecutions, confiscations or convictions. The legislative framework for targeted financing sanctions (TFS) and proliferation financing is deficient.

Financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) are overall well aware of their regulatory AML/CFT obligations. As a result of this, they apply quite strong customer due diligence (CDD) procedures as well as other mitigating measures in a highly rule-based manner. However, a large number of unverified facilities in the domestic banking sector still exists.

FIs that are not part of a large international group did not demonstrate sufficient awareness of their specific inherent ML/TF risks. They had not performed an institutional ML/TF risk assessment to define the specific risks with regard to their operations, environment, products etc. It is essential that such institutions, as well as their supervisors, pay more attention to conducting periodic ML/TF risk assessments.

The number of suspicious transactions reports (STRs) filed by financial institutions is limited, taking into consideration the substantial size of the financial sector in The Bahamas and the substantial presence in The Bahamas of inherent higher risk activities such as private banking and trust. More emphasis should be put on guidance reporting and on the feedback provided to reported STRs.

The FIs and DNFBPs supervisory regimes are comprehensive and well developed. Supervisory powers are in general adequate and co-ordination among supervisory regulators works well. The FIs and DNFBP supervisors generally promote clear understanding of AML/CFT obligations. However, the application of sanctions is too limited. A risk-based approach for the credit unions and the securities industry should be implemented. Also, the proactive outreaches to the sectors could be enhanced.

A variety of legal persons can be created in The Bahamas. The Registrar General maintains the national company register. Beneficiary ownership (BO) information is required to be maintained by FIs and registered agents. No sanctions have been imposed on legal persons.

The Bahamas has a well-functioning system for international co-operation which provides constructive mutual legal assistance (MLA) and extradition. International co-operation is facilitated through agreements, memoranda of understanding (MOUs) and asset-sharing protocols. The time to respond to requests can be improved.

Risks and General Situation

The Bahamas is exposed to a wide range of money laundering and terrorist financing threats and vulnerabilities. As an international financial centre The Bahamas is vulnerable to financial flows associated with foreign threats. Domestic threats include fraud, drug trafficking originating from South America, armed robbery, firearm offences, burglary and murder. Vulnerabilities are in the products and services offered in the financial sector in particular private banking, client relationships with legal persons and trust services. Additionally, specific sectors are attractive either for the nature of the transactions or the limited nature of regulation. These include the international securities sector, dealers in precious metals and precious stones, money transmission services and attorneys. The risk of TF appears low since The Bahamas has no history of terrorist activity. The country is also stable and homogenous with no alienated or oppressed groups.

US Department of State Money Laundering assessment (INCSR)

Bahamas is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

The Commonwealth of The Bahamas is a regional and offshore financial center. The country's economy is heavily reliant on tourism, tourism-driven construction, and the offshore financial sector. The Bahamas remains a transit point for illegal drugs bound for the United States and other international markets. The primary sources of illicit funds in the Bahamas are trafficking in narcotics and weapons and human smuggling. Despite increasingly stringent reporting requirements, drug traffickers and other criminal organizations take advantage of the cash-based economy to launder money. Money is laundered through the purchase of property, businesses created for money laundering purposes, and gaming.

The topography of the Bahamas and its proximity to the United States make the entire country accessible by all types of watercraft, thereby making smuggling and moving bulk cash relatively easy.

The Bahamas has three large casinos, including the Caribbean's largest casino (the U.S. \$3.5 billion Chinese Export-Import Bank-funded Baha Mar megaresort) which partially opened in April 2017. Gaming operations based on U.S. lottery results, locally known as "web shops," flourish.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The major sources of laundered proceeds are drug trafficking, firearms trafficking, gaming, and human smuggling. There is a black market for smuggled cigarettes, alcohol, and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, and the processing of money through a complex web of legitimate businesses, IBCs, and entertainment events.

Current information on the extent of offshore activities is not available. According to a 2013 IMF report, total assets in the Bahamas' offshore banking sector are equivalent to 75 times Bahamian GDP. The IMF report notes that, while there is oversight of the financial system, the

Bahamas is still recognized as a significant tax haven. For example, the Bahamas does not maintain official records of company beneficial ownership, or require resident paying agents to tell the domestic tax authorities about payments to non-residents. IBCs can be formed in one to two days.

Gaming is legal through major resort hotel casinos, which are only open to foreign visitors. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos; however, local pari-mutuel betting on U.S. lotteries and sporting events takes place through web shops. Casinos and web shops are licensed by the Gaming Board and are required to maintain strict internal controls and accounting, comply with AML/CFT requirements, and submit STRs. Geo-fencing protections built into gaming software ensure online gaming activities are inaccessible outside the country. The Gaming Board vets all online gaming platforms (software) and retains the ability to log into the programs remotely to observe operations in real time.

The archipelagic nature of the Bahamas and its proximity to the United States make it accessible by all types of watercraft, including small boats, facilitating smuggling and bulk cash shipments. The FTZ is a private entity managed by the Grand Bahama Port Authority (GBPA), a joint venture between Hutchison Port Holdings, a subsidiary of Hong Kong-based Hutchison Wampoa Group, and UK-based Port Group Limited. The GBPA owns much of the city of Freeport, and the Freeport Harbor Company independently owns and operates the Freeport Container Port and Grand Bahama International Airport.

KEY AML LAWS AND REGULATIONS

The Bahamas has comprehensive KYC and STR regulations. In 2016, customs authorities announced penalties for any arriving or departing passengers failing to declare currency or monetary instruments of more than U.S. \$10,000. Throughout 2017, authorities engaged in a public education campaign.

The Bahamas is a member of the CFATF, a FATF-style regional body.

AML DEFICIENCIES

The Bahamas should further enhance its AML regime by criminalizing bulk cash smuggling, continuing implementation of the National Strategy on the Prevention of Money Laundering, and establishing a CTR system. It should also collect complete, quality, and up-to-date information on the beneficial owners of all entities licensed or formed in the country or its offshore center, in line with international standards.

The government's National Anti-Money Laundering Task Force meets twice monthly. Authorities did not report how many times the Task Force met during the year, nor was information publicly available. The Task Force should seek to promote an AML culture in the Bahamas.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Bahamas has the requisite AML institutional and legal framework but needs to emphasize enforcement. The government should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies to increase their effectiveness. The Bahamas should ensure full implementation of appropriate safeguards on the gaming industry. The FIU,

in cooperation with the Royal Bahamas Police Force, should continue its outreach to the banking and non-banking sectors.

The FIU reported one prosecution and conviction for fraud and money laundering in 2017, and there were two money laundering cases under investigation. The newly elected government appears to be prioritizing anti-corruption and transparency across its agenda. These efforts should lead to greater transparency in government and financial dealings. To better gauge the effectiveness of the government's AML programs, authorities should release official information on the numbers of STRs, prosecutions, and convictions.

EU Tax Blacklist

The Bahamas was removed from the EU tax blacklist on 25 May 2018.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, The Bahamas does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

EU White list of Equivalent Jurisdictions

The Bahamas is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

The Bahamas is considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017 (introduction):

The Bahamas is not a significant drug producing country, but remains a transit point for illegal drugs bound for the United States and other international markets. The Bahamas' close proximity to the coast of Florida, as well as its location on Caribbean transshipment routes, makes it a natural conduit for drug smuggling. The Bahamas' 700 islands and cays, the vast majority of which are uninhabited, provide near-ideal conditions for smuggling. Smugglers readily blend in among numerous pleasure craft traveling throughout the Bahamian archipelago, which covers nearly 100,000 square nautical miles. Smuggling also occurs through commercial and private plane traffic; some smuggling continues by means of remote airfields and airdrops from South and Central America. Smuggling is enabled and accompanied by organized crime and gang activity.

The United States and The Bahamas enjoy a long-standing history of counternarcotics cooperation, including under Operation Bahamas, Turks and Caicos (OPBAT). In 2016, OPBAT operations resulted in the seizure of cocaine and marijuana, as well as the destruction of marijuana plants on multiple sparsely-populated islands, an indicator suggesting that marijuana cultivation has remained steady in the Bahamas.

Bahamian government surveys suggest that demand for cocaine within the country has diminished, though a domestic market does continue to exist. Experimental and chronic use of marijuana, including among adolescents, remains a concern. The Bahamas' National Anti-Drug Strategy places significant emphasis on drug abuse awareness, demand reduction, and treatment policies, though programs in these fields would be enhanced by additional resources.

Conclusion

The United States and the Bahamas enjoy a long-standing cooperative relationship against drug trafficking and transnational organized crime. Drug trafficking and related smuggling will remain a primary concern for the United States in The Bahamas. The United States will continue to assist Bahamian efforts to counter these networks and increase efficiencies in the administration of justice through a range of assistance, and the CBSI framework will continue to bolster Bahamian drug-control institutions and enhance U.S. and Bahamian law enforcement relationships.

Corruption

The Government of the Bahamas does not, as a matter of government policy, encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. No charges of drug-related corruption were filed against government officials in 2015.

US State Dept Trafficking in Persons Report 2016 (introduction):

Bahamas is classified a Tier 1 country

The Bahamas is a source, destination, and transit country for men, women, and children from other Caribbean countries, South and Central America, and Asia subjected to sex trafficking and forced labor, including in domestic servitude and construction. Vulnerable populations include migrant workers—especially from Haiti, Jamaica, Colombia, and Venezuela—who arrive voluntarily to work as domestic employees and laborers, but may be recruited or deceived by traffickers who lure victims with fraudulent recruitment practices, such as false promises of employment through advertisements in foreign newspapers. Also vulnerable are children born in The Bahamas to foreign-born parents who do not automatically receive Bahamian citizenship and individuals in prostitution and exotic dancing. Traffickers confiscate victims' passports and restrict their movements.

The Government of The Bahamas fully meets the minimum standards for the elimination of trafficking. The government continued strong collaboration across multiple government agencies, resulting in prosecutions of traffickers and protection of victims. The government arrested and prosecuted five alleged traffickers during the reporting period, sent letters to employees with work permits explaining the definition of trafficking and advising employers of the prohibition against document retention, tasked labor inspectors to screen for trafficking indicators when inspecting labor sites, and developed a referral process for immigration officers to screen for trafficking indicators. The government faced challenges in identifying victims, but continued efforts to implement its victim identification and referral protocol and provided training on trafficking in persons for 157 government officials responsible for identifying and assisting trafficking victims.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	65
World Governance Indicator – Control of Corruption	83

Corruption and Government Transparency - Report by US State Department

According to Transparency International's 2014 Corruption Index, corruption "remains a problem at all levels of government with top officials frequently facing allegations of administrative graft, domestically and from abroad."
(<http://cpi.transparency.org/cpi2013/results>)

In The Bahamas, giving a bribe to, or accepting bribes from, a government official is a criminal act under the Prevention of Bribery Act. The penalty under this act is a fine of up to \$10,000, or a maximum prison term of four years, or both. That said, there has never been a prosecution under the Act and anecdotal evidence suggests there is widespread patronage with contracts routinely directed to party supporters and benefactors. At this point, there has not been a sustained effort to ensure that opportunities for abuse of the system are minimized.

The Bahamas has been a State Party to the Inter-American Convention against Corruption since signing in 1998 (ratified in 2000), and a party to the Mechanism for Follow-Up on the Implementation of the Inter-American Convention against Corruption (MESICIC) since June 2001. U.S. firms operating in The Bahamas are generally aware of the 1977 US Foreign Corrupt Practices Act and have not been accused of breaches of this law.

The Bahamas is not a signatory to the U.N. Convention Against Corruption.

Section 3 - Economy

The Bahamas is one of the wealthiest Caribbean countries with an economy heavily dependent on tourism and offshore banking. Tourism together with tourism-driven construction and manufacturing accounts for approximately 60% of GDP and directly or indirectly employs half of the archipelago's labor force. Financial services constitute the second-most important sector of the Bahamian economy and, when combined with business services, account for about 35% of GDP. Manufacturing and agriculture combined contribute less than one 10th of GDP and show little growth, despite government incentives aimed at those sectors. The economy of The Bahamas shrank at an average pace of 0.8% annually between 2007 and 2011, and tourism, financial services, and construction - pillars of the national economy - remain subdued. Conditions are improving in the tourism sector, however, due to steady foreign investment led activity. New resort and marina developments are likely to provide sustained employment opportunities.

Agriculture - products:

citrus, vegetables; poultry

Industries:

tourism, banking, oil bunkering, maritime industries, transshipment, salt, rum, aragonite, pharmaceuticals

Exports - commodities:

crawfish, aragonite, crude salt, polystyrene products

Exports - partners:

Poland 26.3%, Cote d'Ivoire 20.9%, US 15.9%, Dominican Republic 14.3% (2015)

Imports - commodities:

machinery and transport equipment, manufactures, chemicals, mineral fuels; food and live animals

Imports - partners:

US 22.3%, China 14.8%, Japan 9.5%, Poland 7.7%, South Korea 7.3%, Colombia 6.8%, Brazil 5.6%, Singapore 5.5% (2015)

Banking

The Bahamas' financial sector comprises both onshore and offshore financial institutions, which includes banks and trust companies; insurance companies; securities firms and investment funds administrators; financial and corporate service providers, cooperatives, friendly societies and DNFBPs.

The Central Bank of the Bahamas (CBB) is constituted under legislation (currently the Central Bank of The Bahamas Act, Ch 351) designed to give it the powers and the financing and other resources to carry out the duties assigned to it under this legislation. Its obligations to conduct the supervision of banks and trust companies, and the powers it has to do this, are elaborated in the Banks and Trust Companies Regulation Act, 2000 (BTCRA).

Within the Central Bank, the Inspector of Banks & Trust Companies, who reports directly to the Governor, has responsibility for supervising and regulating banks and trust companies. The Inspector and his staff are required under the BTCRA to conduct on-site and off-site examinations of licensees to ensure their compliance with the provisions of the BTCRA and the Financial Transaction Reporting Act (FTRA). The CBB does not receive the licence fees paid by banks and trust companies (this goes directly to the Ministry of Finance) but the CBB's own finances enable it to fund resources for supervision. Current supervisory staff numbers are just over fifty (50). An active training and development programme for staff is provided. Considerable detail on the Central Bank's supervisory operations is published each year in the Central Bank's Annual Report.

Stock Exchange

The Bahamas International Securities Exchange (BISX) was founded in 1999 and is located in Nassau.

Section 4 - Investment Climate

Executive Summary

The Bahamas maintains a stable environment for investment and demonstrates a long tradition of parliamentary democracy, respect for the rule of law and a well-developed legal system, and security of life and personal property. U.S. companies find that The Bahamas' proximity to the United States, common English language, and the exposure to U.S. media and culture contribute to Bahamian consumers having general familiarity and positive attitudes towards U.S. goods and services. The Bahamas conducts approximately 85% of its international trade with the United States.

The Bahamian economy remains heavily dependent on tourism and financial services, although the government has made efforts to encourage diversification, particularly in agriculture and light manufacturing. The Bahamas relies primarily on imports from the United States to satisfy its food needs for local and tourist consumption. More than six million tourists visit the country annually.

In the financial services sector, The Bahamas is experiencing growth in investment funds and has seen significant increases in investments from Brazil in particular. According to the Bahamas Securities Commission, the increase is due to the development and approval of SMART Funds -- risk-adjusted, low-cost investment structures.

The Bahamas Investment Authority actively promotes The Bahamas' liberal tax environment and freedom from many types of taxes, including capital gains, inheritance, and corporate or personal income taxes. The Bahamas continues to attract significant foreign direct investment (FDI) from various parts of the world. These investments are primarily in the tourism sector and range from multi-billion dollar resort developments to million dollar homes on the major islands of the archipelago.

The major challenges to investment in the country include the relatively high cost and uncertain reliability of electricity, high unemployment combined with a limited pool of skilled labor, cumbersome and sometimes opaque administrative requirements, and an escalating crime rate. In addition, certain sectors of the economy are reserved under the National Investment Policy for Bahamian only investment.

U.S. and Bahamian companies alike report that the resolution of business disputes often takes years, and collection of amounts due can be difficult even after court judgments.

Companies also report that the approval process for foreign direct investments and work permits can be cumbersome and time-consuming. The government of the Commonwealth of The Bahamas (GCOB or the Government) asserts that the majority of foreign investment applications are processed quickly and without significant issues. Applications that are subject to more extensive review, or those that do not fall within the National Investment Policy, may take longer to approve given the Government's desire to balance local versus foreign investment interests. Some U.S. and Bahamian companies also complain that the tender process for public contracts is not consistent and that it is difficult to obtain information on the status of bids. GCOB officials have told the Embassy that the Government is preparing legislation to address concerns related to its investment policy and Public Procurement Regime.

On January 1, 2015, the Government introduced a 7.5% Value Added Tax (VAT) on most goods and services, a measure designed to strengthen the fiscal balance sheet. Implementation of the tax and other fiscal measures including efforts to enhance revenue administration has yielded positive results and the Government has reduced its deficit from \$539M three years ago to \$141M in this fiscal year (2016). The Government continues its efforts to develop a central revenue agency and modernize its fiscal administration.

In March 2016, Moody's Investor Service confirmed The Bahamas' issuer and senior unsecured ratings at Baa2 with a stable outlook. (<https://www.moody.com>) In its January 2016 report, Standard and Poor's (S&P) (<http://standardandpoors.com>) affirmed the country as investment grade and maintained the sovereign credit rating at BBB-/A-3. (<http://standardandpoors.com>) In its April 15, 2016 update on The Bahamas, S&P continued its negative outlook but maintained the country's investment grade credit rating.

With over a billion USD in new resort development committed and the potential for over 5,000 permanent jobs, the Bahamian government continues to assert that benefits from foreign investment-led activities are imminent. The Bahamas Central Bank, in its January-June 2015 Financial Stability report estimated the 2015 GDP growth rate at 1.2%.

The Bahamas remains the only country in the Western Hemisphere that is not a member of the World Trade Organization (WTO). The government has committed to accelerating its efforts to become a member and has taken steps to remove barriers to international trade and facilitate foreign trade and investment. In 2015, the Government enacted new and amended existing laws to provide enhanced protection of intellectual property rights. The new laws are comprehensive but have not been implemented and still require the approval of supporting regulations. While these are vital to economic growth, the government likely will face internal and external challenges to successfully implementing its plans to become more fully integrated into the the global trading system.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	24 of 174	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	106 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	Not listed	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2014	USD 32,200 million	www.bea.gov

World Bank GNI per capita	2014	USD 20,980 mount	data.worldbank.org/indicator/NY.GNP.PCAP.CD
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1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The government encourages foreign direct investment (FDI), particularly in the tourism sector, but reserves certain sectors of the economy for Bahamian investors. With the exception of those sectors reserved exclusively for Bahamian investment (which are listed at www.bahamas.gov.bs/bia), the GCOB does not give preferential treatment to investors based on nationality, and investors have equal access to incentives which include land grants, tax concessions, and direct marketing and budgetary support. The government provides guidelines for investments through its National Investment Policy (NIP), which is administered by The Bahamas Investment Authority (BIA) in the Office of the Prime Minister. Large foreign investment projects, particularly those that do fit within the NIP, require approval by the National Economic Council (NEC) or Cabinet. This process allows for environmental and socio-political input into the review and approval of applications for investment. GCOB officials have informed the Embassy that the Government is considering proposals to codify the National Investment Policy into law.

Other Investment Policy Reviews

The Bahamas is ranked 106th in terms of the ease of doing business in the 2016 World Bank Doing Business Report. (<http://doingbusiness.org/rankings>.) The report reflects a significant decline in the ease of starting a business and underscored historically problematic issues related to property registration, electricity, access to credit, and protecting minority investors. On the positive side, it highlighted improvements in the areas of tax collection and trading across borders. The Government is making efforts to improve its ranking and asserts that the recent drop is because of perceived improvements in the ease of doing business in other countries, rather than any increased difficulty in doing business in The Bahamas. To address the decline in ranking, the Government has undertaken a full review of business and investment processes in conjunction with development of its National Development Plan.

According to the 2016 Heritage Foundation Index of Economic Freedom, The Bahamas ranks 31st in the world in economic freedom. (<http://www.heritage.org/index/ranking>.) Its overall score increased by 2.2 points, with declines in labor freedom and monetary freedom offsetting improvements in government spending, fiscal freedom, business freedom, trade freedom, and investment freedom. The report asserts that corruption remains a problem and that, while the overall regulatory system is conducive to entrepreneurial activity, protectionism, bureaucracy, and limited access to credit continue to hold back the emergence of a more dynamic private sector.

Laws/Regulations on Foreign Direct Investment

The Bahamas' legal system is based on English common law with the highest court being the Privy Council in London. Contracts are legally enforced through the courts; there is no written

contract or commercial law. Foreign nationals are afforded full rights in Bahamian legal proceedings.

Foreign direct investment is encouraged through industry-specific legislation, which often provides exemptions for Customs duties or other incentives to investment. Examples of such incentives include the Hotels Encouragement Act, the Export Manufacturing Industries Encouragement Act, and the Industries Encouragement Act. In 2015, the Government enacted new and amended laws to provide enhanced protection of intellectual property rights; however, these laws are not yet in full force pending adoption of implementing regulations. Registration of securities is regulated by the Securities Commission of The Bahamas (www.scb.gov.bs) and the Bahamas maintains an international securities exchange (BISX) (www.bisxbahamas.com).

American investors should be aware that they may not be able to rely on the provisions of U.S. Chapter 11 bankruptcy law to protect assets in The Bahamas. In September 2015, a U.S. Bankruptcy Court judge dismissed a bankruptcy case in the United States involving the owner and developer of the stalled \$3.5 billion Baha Mar resort complex in Nassau, citing a finding by a Bahamian Supreme Court judge that the project's stakeholders would expect that insolvency proceedings would take place in The Bahamas.

Business Registration

The Bahamas Investment Authority (BIA) is the first point of contact for foreign investors and operates as the principal investment promotion agency for The Bahamas. The BIA serves as a "one-stop shop" to assist investors in navigating the approvals process through various departments and agencies of the Government to ensure that requirements are met before the investment application is submitted to the National Economic Council or Cabinet for approval. (www.bahamas.gov.bs/bia.) The services of the BIA are available to all investors that meet the minimum requirement of an investment exceeding \$500,000.

The BIA's Project Proposal Guidelines list the type of information and documentation that investors should provide when submitting proposals, consistent with the National Investment Policy. The government generally views more favorably proposals that prove adequate financing, demonstrate investment experience, create local employment and support overall economic development.

The BIA, with the support of the Ministry of Tourism, engages in regional and international conferences and trade shows to promote investment in the country. It also maintains functional cooperation arrangements with the Caribbean Association of Investment Promotion Agencies (CAIPA) and benefits from grant funding from the EU Development Fund.

Industrial Promotion

The National Investment Policy encourages and, for certain industries, provides incentives for foreign direct investment in the following priority sectors: tourist resorts, amenities and attractions; condominiums; time share and second home developments; marinas; information and data processing services; assembly industries; high-tech services; shipping; ship repair and other services; light manufacturing for export; agro-industries; food processing; aquaculture; banking and other financial services; captive insurance; aircraft

and yachting services; pharmaceuticals; petro-chemicals; mining; and medical tourism centers. These opportunities are widely advertised in the marketing material supported by the Government, promotional material developed by the BIA, and on a range of internet resources.

The GCOB has indicated strong interest in attracting FDI to non-traditional sectors, including renewable energy and agriculture.

Limits on Foreign Control and Right to Private Ownership and Establishment

The National Investment Policy explicitly reserves certain sectors of the economy exclusively for Bahamian investors. These sectors are listed on the BIA website at www.bahamas.gov.bs/bia. The government has made exceptions to this policy on a case-by-case basis but generally these sectors should be avoided as there is no guarantee of market access or right of establishment. The embassy is aware of several cases in which investors have been concerned about lengthy delays in the approvals process. International investors are permitted to engage in the 'wholesale' distribution of any product they produce locally.

Beyond the areas reserved for Bahamian participation in the National Investment Policy, rights to private ownership and establishment are maintained and respected. With the assistance of a local attorney, investors can create the following types of businesses: sole proprietorship, limited or general partnership, joint stock company, or a subsidiary of a foreign company. The most popular all-purpose vehicles for foreign investors are the International Business Company (IBC) and the Limited Duration Company (LDC). Both benefit from income, capital gains, gift, estate, inheritance, and succession tax exemptions.

There is no automatic right of establishment and all business engagements are subject to licensing and approval by the relevant authorities but, once approved, foreign and domestic private entities may engage in business activity without impediment. They may also freely establish, acquire, and dispose of interests in their business enterprises. All foreign investment is subject to review and approval by the BIA and may be subject to further review by the National Economic Council or Cabinet.

Privatization Program

In recent years, the Government has shown a preference for private management of state owned enterprises over equity interest and full scale divestment or liberalization. It continues to entertain proposals for upgrading services and is in discussions on several public-private partnership agreements. Foreign companies and investors have been permitted to participate in privatization programs and to bid on management contracts. In 2016, the Bahamian government completed an RFP process and signed a management services agreement with an American company to manage the country's electric utility company.

Screening of FDI

Decision-making in The Bahamas is highly centralized, and all investments by foreign nationals are subject to approval by the National Economic Council (NEC). Investment proposals must include economic and environmental impact assessments. NEC decisions are final although it is sometimes possible for an investor to request reconsideration of a denial,

particularly in cases where a proposal has been revised and strengthened. The government asserts that the majority of investment applications are processed quickly and without delay. Some U.S. companies, however, have reported that the review and approval process is cumbersome and time-consuming, and that often pending decisions linger for long periods making it difficult to make investment decisions. There is no timeline for approval and in a few instances proposals have been pending for more than a year. The review by a political body also provides an opportunity for political influence to weigh in the analysis of a business proposal.

Competition Law

With the exception of the Utilities Regulation and Competition Authority (URCA), which regulates the telecommunications sector, there are no regulations governing competition or antitrust policy. Recent decisions by the Government will expand the mandate and powers of URCA to include the regulation of electricity. This is a positive development and suggests the medium term potential for competition in the sector and the eventual approval of independent power producers. Exclusive rights for fixed periods to provide services have been granted by contract in some sectors. These legally approved private monopolies are being discontinued.

2. Conversion and Transfer Policies

Foreign Exchange

The Bahamas maintains a fixed exchange rate policy which pegs the Bahamian dollar one-to-one with the U.S. dollar. The legal basis for the policy is the Exchange Control Act of 1974 and Exchange Control Regulations. Individuals and corporations resident in The Bahamas are subject to capital or exchange controls which govern all foreign currency transactions between residents and non-residents.

The exchange controls are not considered an impediment to foreign investment in the country. All non-resident investors in The Bahamas are required to register with the Central Bank, and non-resident investors who finance their projects substantially from foreign currency transferred into The Bahamas are permitted to convert and repatriate profits and capital gains freely. In practice, this has been done with minimal bureaucratic formalities and without limitations on the inflows or outflows of funds.

In the administration of exchange controls, the Central Bank does not withhold approval for legitimate foreign exchange purchases for currency transactions and, in the interest of facilitating international trade, generally delegates this authority to major commercial banks and selected trust companies. International and local commercial banks, which are registered by the Central Bank as 'Authorized Dealers,' may administer and conduct foreign currency transactions with residents of The Bahamas. Similarly, private banks and trust companies which are designated as 'Authorized Agents' are permitted to act as depositories for foreign securities of residents and to conduct securities transactions for non-resident companies under their management.

Foreign exchange transactions that fall outside of the delegated authority are approved directly by the Central Bank and include loans, dividends, issues and transfer of shares, travel facilities, and investment currency. These are generally routine and addressed at the

Exchange Control Counter at the Central Bank or facilitated by correspondence with the Governor of the Central Bank.

Investment in The Bahamas will likely remain subject to exchange controls as policy makers maintain that this is an effective tool to preserve the country's external reserves, safeguard its capacity to meet its balance of payments, and maintain dollar parity with the United States.

Remittance Policies

There are no restrictions on investment remittances. Foreign investors who receive a Central Bank designation as a non-resident may open foreign currency-denominated bank accounts and repatriate those funds freely. In addition, with Central Bank approval, a foreign investor may open an account denominated in Bahamian currency to be used in paying local expenses.

The Bahamas is a member of the Caribbean Financial Action Task Force (CFATF). Its most recent peer review evaluation can be found at <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/the-bahamas-1>.

3. Expropriation and Compensation

Property rights are protected under Article 27 of The Bahamian Constitution, which prohibits the deprivation of property without prompt and adequate compensation. There have been compulsory acquisitions of property for public use, but in all instances reported there was satisfactory compensation at fair market value. There is no evidence that the GCOB has ever expropriated a business, and it remains unlikely that this will be an instrument of government policy.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Bahamian legal system is based on English common law and foreign nationals are afforded full rights in Bahamian legal proceedings. Contracts are legally enforced through the courts; there is no written contract or commercial law.

The judiciary is independent and allegations of government interference with the system are rare. The judiciary is appointed by the Governor-General, and the Attorney General is the government's chief legal advisor and has responsibility for public prosecutions. The Bahamas is a member of the British Commonwealth and uses the Privy Council in London as the final court of appeal. The country also contributes financially to the operations of the Caribbean Court of Justice, and has announced its intention to develop itself as a center for international arbitration.

Judgments by British Courts and selected Commonwealth countries can be registered and enforced in The Bahamas under the Reciprocal Enforcement of Judgments Act. Court judgments from other countries, including those of the United States, must be litigated in the local courts and are subject to all Bahamian legal requirements.

The Industrial Tribunal comprises three members appointed by the Governor-General acting on the advice of the Judicial and Legal Service Commission. The Tribunal has the power to

hear and determine trade disputes, register industrial agreements, hear and determine matters relating to the registration of such agreements, make orders or awards, and award compensation on complaints brought and proved before the Tribunal.

Property disputes can be challenging, sometimes lasting several years in the Bahamian court system. Some purchasers have reported problems obtaining clear title to property, either because the seller had no legal right to convey, or due to claims to ownership that arose after a purchase was made. Investors complain that these matters are difficult to resolve, and that, even after a court decision has been rendered in their favor, they face difficulty in collecting or enforcing the court judgments.

The Embassy is aware of several complaints about local attorneys, primarily involving real estate transactions, which have resulted in significant losses to American investors. Referrals to the Bahamas Bar Association and its Ethics Committee for appropriate disciplinary action in these matters often go unanswered.

Additional information on the Bahamian Court System is available at <http://nassau.usembassy.gov/bahamianlegaloverview2.html>

Bankruptcy

Companies are regularly liquidated (voluntarily or involuntarily) according to the Companies Act. Liquidations are routinely published in accordance with the legislation. Creditors of bankrupt debtors and liquidated companies participate in the distribution of the bankrupt debtor's or liquidated company's assets according to statute. As noted above, U.S. investors should be aware that they cannot rely on U.S. Chapter 11 bankruptcy law provisions to protect assets located in The Bahamas.

Investment Disputes

Investment disputes in The Bahamas that directly involve the Bahamian government are rare. The Bahamas is not a signatory to a bilateral international trade agreement with a developed dispute settlement mechanism and, therefore, disputes must be settled within the judicial system or subject to international arbitration.

International Arbitration

The Bahamas has been a member of the International Center for the Settlement of Investment Disputes since 1995 and is also a member of the Multilateral Investment Guarantee Agency. This agency insures investors against current transfer restrictions, expropriation, war and civil disturbances, and breach of contract by member countries. The Bahamas became a member state of the Permanent Court of Arbitration in The Hague, effective June 13, 2016.

Order 66 of the Rules of the Bahamian Supreme Court provides rules for arbitration proceedings. The 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards entered into force for The Bahamas on March 20, 2007. This convention also provides for the enforcement of agreements for commercial disputes. Under the convention, courts of a contracting state can enforce such an agreement by referring

the parties to arbitration. There are no restrictions on foreign investors negotiating arbitration provisions in private agreements.

The government has announced its intention to establish The Bahamas as a center for international arbitration cases, but a body has yet to be formally established.

ICSID Convention and New York Convention

The Bahamas is a member of both the International Centre on the Settlement of Investment Disputes (ICSID) Convention (adopted 1965) and the New York Convention (adopted 1958). The Arbitration Act of 2009 enacted the New York Convention and provides a legal framework.

Duration of Dispute Resolution – Local Courts

Courts in The Bahamas face a persistent backlog of cases. Civil cases, on average, can take five years to resolve. Foreign investors have frequently complained that local defendants are able to delay payment on Bahamian civil judgments due to the lengthy judicial process, which often involves delays during multiple levels of appeal. In addition, enforcement or collection of court judgments can be difficult. Corporate plaintiffs should engage a local attorney to represent their interests in court. The 2016 World Bank Report on Ease of Doing Business (www.doingbusiness.org) ranked The Bahamas at 60 (out of 189 economies) on the ease of enforcing contracts.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The Bahamas is an observer in the WTO and is not a party to the agreement on Trade Related Investment Measures (TRIMS). It has signed the Economic Partnership Agreement (EPA) with the countries of the Caribbean Forum of African, Caribbean, and Pacific (ACP) States (CARIFORUM) and the European Union (EU). GCOB officials have informed the Embassy that the Government is actively involved in developing measures to implement the terms of the EPA that will include measures exceeding the WTO/TRIMS obligations.

Investment Incentives

Tax relief is the most significant investment incentive in The Bahamas. Currently the government does not impose taxes on income, estates, or inheritances in the country, but instead raises revenue from real property tax, import duties, value added tax, and various permit and license fees. Other incentives for investment include waivers on import duties, property tax abatement, and, in some cases, land grants and extended leases for private development.

These taxes are even further reduced for investments in selected 'Family Islands' and in the Freeport special economic zone which is privately owned and managed by the Grand Bahama Port Authority. (www.gbpa.org). While the terms of the overarching agreement for Freeport guarantee that the special economic zone can continue in existence until 2054, certain provisions of the agreement relating to business licensing and property tax have more limited terms and, as of March 2016, are under review during short term extensions. In the case of economically depressed family islands and those recently impacted by

Hurricane Joaquin (2015), the Government maintains duty free concessions for building materials and other inputs.

Industry and region-specific incentives are offered to any qualifying individual and available under various laws. Further information on this legislation is available at <http://www.bahamas.gov.bs>.

Research and Development

Foreign firms are not restricted from participating in government subsidized research and development programs.

Performance Requirements

The Bahamas maintains formal performance requirements for investments, including proof of adequate and legitimate sources of funding and economic and environmental impact assessments. Such requirements are negotiated on a project-by-project basis, and, particularly in the case of larger developments, are written into "heads of agreement," between the government and the investor. It is noteworthy that these agreements also include government obligations to the investor.

There is no policy of forced localization or a requirement for technology transfers, but there is official encouragement to direct benefits to local producers and the transfer of skills to the local labor market. This engagement is a part of the negotiations with the Government and it is not uncommon for an investor to gain greater concessions where there is a direct benefit to local business, job creation, or an investment that supports the transfer of skills and technology.

Work permits are facilitated for key foreign employees as part of the investment approval process, but government policy generally favors the employment of Bahamian nationals. Fees for work permits are not tied to administrative costs and have been developed as a revenue measure and, depending on the category of employee, can cost up to USD 12,500 annually. Work permits for less senior employees and those without specialized skills are generally more difficult to obtain. According to Government officials, The Bahamas currently has 24,000 work permit holders, with a large majority considered as unskilled. Growing unemployment, however, makes it increasingly difficult to get a work permit and new approvals are subject to an extensive and potentially lengthy review process. Most permits are issued by the Immigration Board, but in high profile or sensitive positions Cabinet approval may be required.

Data Storage

There is no requirement for access to source codes, or a requirement for local data storage. There are a growing number of data storage facilities in The Bahamas and new entrants are offering services to both regional and international companies.

6. Protection of Property Rights

Real Property

The Bahamas' score for ease of "registering property" in the World Bank's 2016 Doing Business Report is 183 out of 189 countries. (<http://doingbusiness.org/rankings>) The World Bank report lists the cost of registering property in The Bahamas as 12.2% of property value, as compared with 6.1% for Latin America and The Caribbean and 4.2% for OECD high income countries. The time to complete the registration process is listed as 122 days compared to 63 and 21.8, respectively.

The various forms of land ownership in The Bahamas have their beginnings in English law and can include crown land, commonage land, and generational land. The legal system facilitates the investor's secured interest in both mobile and immobile property and is recognized and enforced in law. Mortgages in real property and security interests in personal property are recorded with the Registrar General of The Bahamas. The government reduced stamp taxes in the country in 2014, making it easier to register property. The tax now ranges between 4-10 percent of the value of conveyances.

The Embassy has received reports of problems obtaining clear title to property, either because the seller had no legal right to convey, or due to claims to ownership that arose after a purchase was made.

Intellectual Property Rights

The Bahamian government is taking steps to strengthen Intellectual Property Rights (IPR) protection as part of its WTO accession process. To this end, in 2015 the Government passed IPR legislation which seeks to amend or add to the existing IPR regime. These new laws cover patents, trademarks, copyrights, integrated circuits, false trade descriptions, protection of new plant varieties, and geographical indications. As of March 2016, implementing regulations have not yet been promulgated.

The Government anticipates that the new legislation, once implemented, will bring The Bahamas into compliance with the terms of the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement as well as its obligations under the Economic Partnership Agreement.

The Bahamas is a member of the World Intellectual Property Organization (WIPO) but has not ratified the WIPO Internet treaties. The Bahamas is also signatory to the following intellectual property conventions and agreements:

- Berne Convention for the Protection of Literary and Artistic Works
- Paris Convention for the Protection of Industrial Property
- Universal Copyright Convention (UCC)
- Convention establishing the World Intellectual Property Organization (WIPO)
- Convention on the means of prohibiting and preventing the illicit import, export and transfer of ownership of cultural property

The Bahamas is not listed as a country of concern in the U.S. Trade Representative (USTR)'s 2014 Special 301 Report.

The Bahamas' intellectual property registry is maintained by the Department of the Registrar General.

Resources for Rights Holders

Contact at U.S. Embassy Nassau:

Economic/Commercial Section
P.O. Box N-8197
U.S Embassy Nassau
New Providence, The Bahamas
Telephone: (242) 322-1181
Email: CommercialNassau@state.gov

Contact information for the Bahamas Bar Association:

P. O. Box N 4632
Nassau, New Providence, The Bahamas
Telephone: (242) 326-3276; Fax: (242) 328-4615
Email: bba@batelnet.bs

See also: <http://nassau.usembassy.gov/bahamaslawyerslist.html>.

Contact for the Registrar General's Department:

Registrar General's Department
Shirley House, 50 Shirley Street
P.O. Box N-532, Nassau, NP, The Bahamas
Telephone (242) 397-9143
Email: registrargeneral@bahamas.gov.bs, Phone (242) 397-9143

7. Transparency of the Regulatory System

Some U.S. companies have alleged a lack of transparency and undue political influence with government bidding and procurement processes. There is no requirement to engage in open public tenders, and award decisions are not subject to review. These processes are governed by the Public Procurement Act and the Financial Administration and Audit Act of 1973. A Government minister can approve any purchase up to \$50,000; purchases of equal to or greater than \$50,000, but less than \$250,000 must be approved by the tenders board, chaired by the Minister of Finance; and amounts exceeding \$250,000 require Cabinet approval.

The Government has implemented procurement procedures in the management of funds from international lending agencies, but has not yet implemented best international practices for the management of national finances. In several highly publicized requests for proposal, the Government has not met self imposed deadlines and contract renewals have been pending for 12 months or more.

Successive governments sometimes review contracts executed by previous administrations, although government officials assert that the majority of contracts are not reviewed or altered in any way. However, the Embassy is aware of instances where contracts have been

cancelled. Other areas of concern noted by companies include the discretionary issuance of approvals and licenses from various government authorities. Companies complain that in some instances these approval processes can be opaque with no possibility for review or appeal of a decision.

The Bahamian government has publicly committed to modernizing and reforming government procurement. The review of the procurement process is being financed by the Inter-American Development Bank, and will include the transition to program-based budgeting and the creation of an integrated financial management system to collect statistics, oversee the procurement process, and perform evaluation and monitoring functions.

Public companies listed on the Bahamas International Securities Exchange (BISX) are required to prepare annual and quarterly financial statements in conformity with International Financial Reporting Standards (IRFS).

Draft legislation, in general, is subject to a public consultation process.

The Bahamas has recently established a national standards bureau and is receiving technical assistance from the Bureau of Standards of Jamaica, the Caribbean Regional Organization for Quality and Standards, and the European Union Development Fund.

Despite calls by some Bahamian government officials to permit international law firms to establish business operations in The Bahamas, particularly to serve the securities and financial services sectors, the bar association to date has resisted a further opening of the legal profession in the country, citing immigration concerns. (This is distinct from the practice of permitting international lawyers to engage in litigation in special cases or to practice in areas where expertise is lacking.)

According to Transparency International's 2014 Corruption Perceptions Index (<http://www.transparency.org/country#BHS>), The Bahamas ranked 24 out of 175 countries with a score of 71 out of 100. The country is not listed in the 2015 Index.

8. Efficient Capital Markets and Portfolio Investment

The free flow of capital to markets is encouraged by the GCOB and supported by the functions of the Central Bank of the Bahamas. The Bahamas is an Article VIII member of the IMF and has agreed not to place restrictions on currency transactions, such as payments for imports. The Bahamas Securities Commission regulates the activities of investment funds, securities and capital markets. (www.scb.gov.bs)

There are no legal limitations on foreigners' access to the domestic credit market, and credit is available on market terms through commercial banks. Bahamian-foreign joint venture businesses are encouraged by the government and are eligible for financing both through commercial banks and the Bahamas Development Bank (<http://www.bahamasdevelopmentbank.com/>). The government has also announced plans to establish a credit bureau to operate as a public-private partnership between the Central Bank and the Financial Services Board. Once operational, the credit bureau is expected to address local access to credit.

Money and Banking System, Hostile Takeovers

The financial sector of The Bahamas is highly developed and dynamic, providing a wide array of services by several types of financial intermediaries. The Central Bank of The Bahamas, the Securities Commission, Insurance Commission, Inspector of Financial and Corporate Service Providers, and the Compliance Commission are the regulatory bodies of the financial sector which consists of savings banks, trust companies, offshore banks, insurance companies, a development bank, a publicly controlled pension fund, a housing corporation, a public savings bank, private pension funds, cooperative societies, credit unions, commercial banks, and the state-owned Bank of The Bahamas – which dominate financial intermediation. The Securities Commission also regulates The Bahamas International Securities Exchange (BISX), and a Central Bank supervision department ensures that banks comply with capitalization and reporting requirements.

According to the Central Bank report for January-June 2015, the Bahamian financial sector, which represented approximately 25% of the country's GDP in 2015, encompasses over 400 – banks and non-banks (such as insurance companies and credit unions) and employs in excess of 6,500 individuals. (www.centralbankbahamas.com). As of June 2015, there were 252 licensed banks and trust companies, 84 of which were offshore banks. In the domestic banking sector, four of the eight onshore commercial banks are subsidiaries of Canadian banks, three are locally owned, and one is a branch of a U.S.-based institution. Limited banking services are available on some of the less populated islands.

Foreign exchange controls prohibit international banks from investing in domestic securities, and they generally are not permitted to hold Bahamian dollar balances except for the purpose of facilitating the payment of local expenses. Foreign investors seeking to open a non-Bahamian currency-designated account in one of the commercial banks in the country must first register and receive approval from the Central Bank. (www.centralbankbahamas.com)

9. Competition from State-Owned Enterprises

State-Owned Enterprises (SOEs) are active in the utilities and services sectors with several notable monopolies still maintained by the GCOB. There is a published list of SOEs available on www.bahamas.gov.bs under a listing for Government Corporations and Statutory Agencies. There have been discussions about the privatization of SOE's, but movement has been slow and recent policy decisions suggest a preference for private management of the remaining SOE's. Some of the SOEs include:

- Bahamasair Holdings Ltd. (National Flag Carrier)
- Bank of The Bahamas
- Bahamas Electricity Corporation (BEC)
- Water and Sewerage Corporation
- Broadcasting Corporation of The Bahamas (ZNS)
- Nassau Flight Services
- Hotel Corporation of The Bahamas

The Water and Sewerage Corporation (WSC) and the Bahamas Electricity Corporation (BEC) are the largest public corporations in The Bahamas. The government has permitted limited exceptions to these monopolies, and has provided licenses to private suppliers of electrical and water and sewerage services. These licenses have been issued for private real estate developments or in locations in which there is limited government capacity to own and operate the utility. An additional exception was made for the city of Freeport on the island of Grand Bahama which has its own licensing authority for the provision of electricity, water, and sanitation services.

The Bahamas telecommunications sector has been partially privatized and, in April 2011, the government sold 51 percent of the Bahamas Telecommunications Company (BTC) to Cable & Wireless (DBA LIME), with the government retaining ownership of 49 percent of the company. In 2014, at the initiative of the government, Cable & Wireless agreed to transfer two percent of its shares to a trust to fund social programs, but board and management control remains with the investors. In October 2015, Cable Bahamas Limited (CBL) won the bid to become the country's second cellular services provider, opening the way for competition in the cellular market. As of April 2016, CBL is in the process of building new infrastructure to support this new service. The government has announced plans to issue a third cellular license by the end of 2016. Other areas in the telecommunications sector have been liberalized and are regulated by the Bahamas Utilities Regulation and Competition Authority (URCA).

The Government has announced its intention to find a strategic partner for national flag carrier Bahamasair, although there appears to be no immediate plans for the divestment of the company. Privately owned airlines providing service to the various markets have consistently complained of the market distortions created by Bahamasair, claiming that the national airline uses state funds to undercut fares. The airline has operated at a loss for more than two decades.

Bahamas Electricity Corporation (BEC) recently transferred assets to Bahamas Power and Light (BPL), a newly formed wholly-owned subsidiary and, once refinanced, its debt will be removed from the Government's contingent liabilities. In February 2016, the Government signed a 5-year management contract with PowerSecure International, Inc. (subsequently acquired in March 2016 by Southern Company) to take over management of BPL. Amendments to the Electricity Act that took effect in March 2015 opened the door to grid-tied small-scale alternative power generation systems and power credits, although the application process and certain technical requirements have not yet been defined.

The Bahamas is not a party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization (WTO), but efforts to implement the Economic Partnership Agreement with the European Union may address similar concerns.

OECD Guidelines on Corporate Governance of SOEs

Corporate governance of SOEs generally includes a board of directors chaired by senior politicians, and board members are drawn from the Chambers of Commerce, trade unions, governing party members, and broader civil society. Some board memberships are paid and most are not subject to public vetting. Oversight is under the purview of a member of the Cabinet. Historically, there have been criticisms that these corporations have been used to

employ party supporters and, with few exceptions, SOEs have not demonstrated sustained profitability. The board of newly-created BPL includes foreign representatives and technical experts.

Sovereign Wealth Funds

The government's oil exploration legislation, tabled in December 2014, will establish the legislative framework for a sovereign wealth fund managed by the Central Bank.

10. Responsible Business Conduct

There is a growing awareness of, and commitment to Responsible Business Conduct (RBC) by local and foreign companies operating in The Bahamas. International companies have led RBC-related initiatives, including educational programs directed at capacity-building for specific industries, the maintenance of public spaces, and financial and technical assistance to charitable organizations.

The government encourages and enforces responsible business conduct through legislation. For example, in 2014, The Bahamas enacted a law protecting individuals with disabilities from discrimination in the workplace. A Consumer Protection Act was enacted in 2006; citizens can lodge complaints at consumer affairs offices on the different islands. Labor laws prohibit discrimination in employment based on race, creed, sex, marital status, political opinion, age, HIV status, or disability, but not in regard to language, sexual orientation and/or gender identity, or social status. In addition, revisions to the Government's National Development Plan will include a focus on social policy and development.

The government has released draft legislation for public review and comment that would amend or repeal sections of the Subdivisions and Planning Act, which regulates construction-type development in the country. Some non-governmental organizations claim that the amendments, if enacted, could lead to reduced opportunities for citizen consultation on projects, and unregulated development.

The Bahamas adopted the UN Guiding Principles on Business and Human Rights in 2011 (<http://investmentpolicyhub.unctad.org/IIA/CountryIris/14>). It is not an adherent to the OECD Guidelines for Multinational Enterprises.

11. Political Violence

The Bahamas has no history of politically motivated violence and, barring a few incidents leading up to the last general elections, the political process is violence-free and transparent. These incidents were relatively minor and included damage to political party installations, signage, billboards, and a few reported altercations between opposing party members.

12. Corruption

The government has laws to combat corruption of and by public officials but they appear to be inconsistently applied. Reports of corruption, including allegations of widespread patronage and the routine directing of contracts to party supporters and benefactors, have plagued the political system for decades.

In The Bahamas, giving a bribe to, or accepting a bribe from, a government official is a criminal act under the Prevention of Bribery Act. The penalty under this act is a fine of up to \$10,000, or a maximum prison term of four years, or both. In October 2015, the government charged a former state energy-company board member under the Prevention of Bribery Act, the first significant case brought under the Act since 1989.

The procurement process is particularly susceptible to corruption, as it is opaque, contains no requirement to engage in open public tenders, and does not allow award decisions to be reviewed.

The Public Disclosure Act requires senior public officials, including senators and members of parliament, to declare their assets, income, and liabilities on an annual basis. The government publishes a summary of the individual declarations. There is no independent verification of the submitted data and the rate of annual submission is weak, except in election years.

As of April 2016, the government is engaged in public consultation regarding implementation of Freedom of Information legislation. The government has publicly committed to enacting new Freedom of Information Act legislation by the end of 2016.

According to Transparency International's 2014 Corruption Perceptions Index, The Bahamas ranked 24/175 with a score of 71/100. The country is not listed in the 2015 index. (www.transparency.org.)

The Government of the Bahamas does not, as a matter of government policy, encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. No charges of drug-related corruption were filed against government officials in 2015.

The Bahamas has been a State Party to the Inter-American Convention against Corruption since signing in 1998 (ratified in 2000), and a party to the Mechanism for Follow-Up on the Implementation of the Inter-American Convention against Corruption (MESICIC) since June 2001.

U.S. firms operating in The Bahamas are generally aware of the 1977 U.S. Foreign Corrupt Practices Act and have not been accused of breaches of this law.

The Central Bank requires licensed financial institutions to appoint a compliance officer and a money laundering reporting officer. (www.centralbankbahamas.com)

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The Bahamas has acceded to the U.N. Convention Against Corruption. It is not a member of the OECD Convention on Combating Bribery.

Resources to Report Corruption

Contact at government agency or agencies responsible for combating corruption is:

Office of the Attorney General
John F. Kennedy Drive

Nassau, The Bahamas
TEL: (242) 322-1141
EMAIL: attorneygeneral@bahamas.gov.bs

13. Bilateral Investment Agreements

There is no Bilateral Investment Treaty (BIT) between The Bahamas and the United States. The Bahamas was designated a beneficiary of the Caribbean Basin Initiative (CBI) and the Caribbean Basin Economic Recovery Act (CBERA) and has established a Tax Information Exchange Agreement with the United States—one of twenty-nine that The Bahamas has ratified. The agreement establishes The Bahamas as a qualified jurisdiction and allows U.S.-registered companies to qualify for tax credits for conventions and related corporate expenses in The Bahamas.

The benefits under CBI provide products manufactured in The Bahamas that meet defined rules of origin duty-free and quota-free entry into the United States, such as the country's largest export to the United States, polystyrene beads used in the production of Styrofoam products. The Bahamas continues to use this access as an incentive for investments in manufacturing in the domestic economy. Additionally, The Bahamas has applied for benefits under the Caribbean Basin Trade Partnership Act (CBTPA), but as of March 2016 had not yet met all of the requirements for its application to be ratified.

The Bahamas also signed an Inter-Governmental Agreement under the Foreign Account Tax Compliance Act (FATCA) in November 2014 which entered into force in September 2015.

The CARIFORUM – EU Economic Partnership Agreement was concluded between CARIFORUM states (CARICOM and the Dominican Republic) and the European Union and its member states in 2008. The agreement promotes trade-related developments in areas such as competition, intellectual property, public procurement, the environment, and protection of personal data.

CARIBCAN is an economic and trade development assistance program for Commonwealth Caribbean countries in which Canada provides duty free and quota free access to its national market for the majority of products which originate in Commonwealth Caribbean Countries. The agreement is currently being renegotiated. Canada and The Bahamas agreed in principle to preserve duty-free market access until a new agreement was reached.

Bilateral Taxation Treaties

There is no bilateral taxation treaty between The Bahamas and the United States. For other agreements affecting taxation, please see above.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The 1955 Hawksbill Creek Agreement established Freeport on the island of Grand Bahama. Freeport is the country's second-largest city and has developed as a free trade and economic development zone under private ownership and control of the Grand Bahama Port Authority (GBPA).

Firms licensed by the GBPA to operate within the 230-square mile free trade zone are granted the right to import equipment and materials duty-free and benefit from the exemption from real property taxes and business license fees ordinarily payable to the central government. However, there are fees imposed by the GBPA for businesses operating in Freeport that are not subject to national regulation and, in some instances, licensees report that the process lacks transparency.

The Government extended the Hawksbill Creek property tax exemptions to 2016 and duty exemptions to 2054, but withdrew real property tax exemptions for foreign individuals and corporations. Renegotiation of this aspect of the agreement between the government and the Port Authority began in early 2015 and, as of March 2016, is continuing, with statements by senior officials indicating that the Government may seek concessions to offset its public expenses within the free trade zone.

Additional information is available at www.gbpa.com.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Economic Data					
Host Country Gross Domestic Product (GDP) (\$M USD)	2016	\$5.7 billion	2014	\$8,760 million	www.unctadstat.unctad.org http://tinyurl.com/MinFinance
Foreign Direct Investment (inflows)	N/A	N/A	2014	\$266.4 million	http://databank.worldbank.org/data/reports.aspx?source=2&country=BHS&series=&period=
U.S. FDI in partner country (\$M USD, stock positions)	N/A	N/A	2014	\$32,200 million	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm http://www.bea.gov/international/factsheet/factsheet.cfm?Area=250

Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A	2015	\$597.0 million	http://www.bea.gov/scb/pdf/2015/07%20July/0715_direct_investment_positions.pdf
Total inbound stock of FDI as % host GDP	N/A	N/A	2014	3%	N/A

Table 3: Sources and Destination of FDI

Data not available.

Table 4: Sources of Portfolio Investment

Data not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

common law system based on the English model

International organization participation:

ACP, AOSIS, C, Caricom, CDB, CELAC, FAO, G-77, IADB, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, ITSO, ITU, LAES, MIGA, NAM, OAS, OPANAL, OPCW, Petrocaribe, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO (observer)

Section 6 - Tax

Exchange control

The Bahamas does not place restrictions on current transactions, such as payments for imports. In its administration of Exchange Control, although the Central Bank has set certain limits for various types of current payments (Current Payments under Delegated Authority), it does not withhold approval for legitimate foreign exchange purchases for current transactions.

Treaty and non-treaty withholding tax rates

Bahamas, The has exchange of information relationships with 30 jurisdictions through 0 DTCs and 30 TIEAs.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Argentina	TIEA	3 Dec 2009	27 Jul 2012	Yes	Yes	
Aruba	TIEA	8 Aug 2011	1 Sep 2012	Yes	Yes	
Australia	TIEA	30 Mar 2010	1 Jul 2010	Yes	Yes	
Belgium	TIEA	7 Dec 2009	not yet in force	Yes	Yes	
Canada	TIEA	17 Jun 2010	16 Nov 2011	Yes	Yes	
China	TIEA	1 Dec 2009	28 Aug 2010	Yes	Yes	
Denmark	TIEA	10 Mar 2010	9 Sep 2010	Yes	Yes	
Faroe Islands	TIEA	10 Mar 2010	24 Oct 2010	Unreviewed	Yes	
Finland	TIEA	10 Mar 2010	9 Sep 2010	Yes	Yes	
France	TIEA	7 Dec 2009	13 Sep 2010	Yes	Yes	
Germany	TIEA	9 Apr 2010	12 Dec 2011	Yes	Yes	
Greenland	TIEA	10 Mar 2010	24 Mar 2012	Unreviewed	Yes	
Guernsey	TIEA	8 Aug 2011	28 Mar 2012	Yes	Yes	
Iceland	TIEA	10 Mar 2010	15 Oct 2012	Yes	Yes	
India	TIEA	11 Feb 2011	1 Mar 2011	Yes	Yes	
Japan	TIEA	27 Jan 2011	25 Aug 2011	Yes	Yes	
Korea, Republic of	TIEA	4 Aug 2011	15 Jul 2013	Yes	Yes	
Malta	TIEA	18 Jan 2012	30 Oct 2012	Yes	Yes	
Mexico	TIEA	23 Feb 2010	30 Dec 2010	Yes	Yes	
Monaco	TIEA	18 Sep 2009	18 Feb 2011	Yes	Yes	
Netherlands	TIEA	4 Dec 2009	1 Dec 2010	Yes	Yes	
New Zealand	TIEA	18 Nov 2009	not yet in force	Yes	Yes	
Norway	TIEA	10 Mar 2010	9 Sep 2010	Yes	Yes	
Poland	TIEA	28 Jun 2013	not yet in force	Unreviewed	Yes	
San Marino	TIEA	24 Sep 2009	10 Nov 2011	Yes	Yes	
South Africa	TIEA	14 Sep 2011	25 May 2012	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Spain	TIEA	11 Mar 2010	17 Aug 2011	Yes	Yes	
Sweden	TIEA	10 Mar 2010	24 Dec 2010	Yes	Yes	
United Kingdom	TIEA	29 Oct 2009	7 Jan 2011	Yes	Yes	
United States	TIEA	25 Jan 2002	1 Jan 2006	Yes	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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