

The Bahamas

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - The Bahamas	
Sanctions:	None
FAFT list of AML Deficient Countries	No
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 not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The Bahamas was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, The Bahamas was deemed Compliant for 13 and Largely Compliant for 9 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Follow-Up Report (2012):

Since the fourth follow-up report, The Bahamas has enacted the Securities Industry Act, 2011 (SIA 2011) and the Securities Industry Regulations, 2012 (SIR 2012), which were brought into force on December 30, 2011 and January 9, 2012 respectively.

US Department of State Money Laundering assessment (INCSR)

The Bahamas was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Commonwealth of the Bahamas is a regional and offshore financial center. The country's economy is heavily reliant upon 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 major sources of laundered proceeds are drug trafficking, firearms trafficking, gambling, and human smuggling. There is a black market for smuggled cigarettes and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, as well as the processing of money through a complex web of legitimate businesses and international business companies (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in the Bahamas to launder significant sums of money.

According to a 2013 report by the International Monetary Fund (IMF), the Bahamian financial system is “exceptionally large,” reflecting the country’s role as a “major offshore financial center.” The report noted the financial system had total gross assets equivalent to 96 times GDP with total assets of the offshore banking sector equivalent to 75 times GDP. The offshore sector consists mostly of branches or subsidiaries of global financial institutions and pursues a variety of business models.

The archipelagic nature of the Bahamas and its proximity to the United States make the entire country accessible by all types of watercraft, including small sail boats and power boats, thereby making smuggling and moving bulk cash relatively easy. The country has one large free trade zone (FTZ), Freeport Harbor. The FTZ is managed by a private entity, the Freeport Harbor Company, owned and operated through a joint venture between Hutchison Port Holdings (a subsidiary of Hutchison Wampoa, based in Hong Kong) and The Port Group (The Grand Bahama Port Authority, the Bahamian parastatal regulatory agency). The Freeport Harbor Company includes the Freeport Container Port and Grand Bahama International Airport as well as private boat, ferry, and cruise ship facilities and roll-on/roll-off facilities for containerized cargo and car transshipments. Freeport Harbor has the closest offshore port to the United States.

Casino gaming is legal for tourists. The Bahamas has four large casinos, including a casino in Bimini that draws in customers from the United States via a ferry service to and from Miami. The \$3.5 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort on New Providence Island, which has been in development since 2011, did not open as scheduled in 2015. If opened, it would be the largest casino in the Caribbean. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos. However, gaming operations based on U.S.-based lottery results and hosted on the internet, locally known as “web shops,” flourish in the Bahamas. In September 2014, the government passed a comprehensive gaming bill designed to regulate the web shops and bring internet-based gaming into compliance with industry standards. Implementation is ongoing. Regulations require web shop operators to apply for a license, pay taxes on revenue and property, and comply with internal control standards.

Do Financial Institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: YES

Criminalization of money laundering:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

The Bahamas is a member of the Caribbean Financial Action Task Force,

Enforcement and implementation issues and comments:

The Government of the Commonwealth of the Bahamas has the requisite institutional and legal framework to combat money laundering. In order to better gauge the effectiveness of the government's AML programs, authorities should release information on the numbers of suspicious transaction reports (STRs), prosecutions, and convictions.

The IMF report noted that, while oversight of the financial system has improved, the Bahamas is still recognized as a significant tax haven. For example, the Bahamas does not disclose in a public registry information about trusts and foundations; the Bahamas does not maintain official records of company beneficial ownership or place them in a public registry; there are no requirements that company accounts be placed on public record; nor does the Bahamas require resident paying agents to tell the domestic tax authorities about payments to non-residents.

The government's National Anti-Money Laundering Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards to prevent and control money laundering and combat terrorist financing. The Task Force should seek to engender an AML culture in the Bahamas.

The Government of the Commonwealth of the Bahamas should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies in order to investigate and prosecute money laundering; enforce existing legislation; and safeguard the financial system from possible abuses. With the expansion of gaming oversight, the government should ensure full implementation of appropriate safeguards, and continue to provide STR training. The Financial Intelligence Unit, in cooperation with Royal Bahamas Police Force financial investigators, should continue its outreach, training, and coordination with banking and non-banking sectors to assist institutions in implementing and maintaining

effective STR regimes. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk cash smuggling; continuing implementation of the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; establishing a currency transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

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 2016 (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 Bahamas 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). OPBAT operations in 2015 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 in the Bahamas may be on the rise.

Bahamian government surveys suggest that demand for cocaine 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.

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 2014 (introduction):

Bahamas is classified a Tier 2 (Watch List) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The Bahamas is a destination, source, and transit country for men, women, and children subjected to forced labor and sex trafficking. Migrant workers are especially vulnerable to involuntary servitude in The Bahamas, particularly the thousands of Haitians who arrive in The Bahamas largely voluntarily to work as domestic employees and laborers. Other large, vulnerable, migrant worker communities are from China, Jamaica, and the Philippines. There were reports during the year that some U.S. nationals who were locally employed had their movement restricted and passports taken, activities indicative of human trafficking. There were also some anecdotal reports that passports were taken and movement restricted among some non-migrant Chinese workers. Children born in The Bahamas to foreign-born parents do not automatically receive Bahamian citizenship and face potential discrimination

and vulnerability to trafficking. Economic migrants transiting through The Bahamas were vulnerable to trafficking. Groups especially vulnerable to sex trafficking in The Bahamas include foreign citizens in prostitution or exotic dancing and local children under 18 engaging in sex with men for basic necessities such as food, transportation, or material goods; third-party prostitution of children under 18 is a form of human trafficking.

The Government of The Bahamas does not comply fully with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government successfully convicted a trafficker during the reporting period, marking the first conviction for human trafficking in The Bahamas. Further, it launched its second prosecution under its anti-trafficking law, investigated an official for alleged trafficking-related complicity, and continued to implement its victim-centered assistance protocol for identified trafficking victims. Victim identification among vulnerable populations in the country remained low.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	66
World Governance Indicator – Control of Corruption	88

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 a 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 2007-2011, 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, cement, oil transshipment, salt, rum, aragonite, pharmaceuticals

Exports - commodities:

crawfish, aragonite, crude salt, polystyrene products

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)

Imports - commodities:

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

Imports - partners:

US 30.1%, India 20.3%, Singapore 8.7%, South Korea 6.8%, China 5%, Colombia 4.5%, Canada 4.2% (2012)

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.

Executive Summary

The Bahamas maintains a relatively stable environment for investment and demonstrates a long tradition of parliamentary democracy, respect for the rule of law, and **security** of life and personal property. It aggressively promotes its liberal tax environment and freedom from capital gains, inheritance, withholding, profit remittances, royalties, sales, corporate or personal income, dividends, payroll, and interest taxes. In recent years, The Bahamas' competitive edge as an investment destination, relative to other small island developing countries in the region, has deteriorated. Last year, it recorded less than half of the FDI it attracted in 2011 and has slipped in several important international investment climate rankings.

The Progressive Liberal Party (PLP) returned to power in May 2012 amid ambitious campaign promises of economic and fiscal reform. Proposed initiatives included the creation of 10,000 new jobs, implementation of a national mortgage bailout plan, and returning the majority shares in the national telecom company to state control. Two years later many of these campaign promises remain unfulfilled. Preliminary figures from the Bahamian Department of Statistics released in April 2014 indicate that economic growth in 2013 fell to just under 0.7 percent, compared to the IMF projections of 1.9 percent. The Bahamas continues to struggle with unemployment of 15.4 percent (down from a decade-high unemployment rate of 16.2 percent). The Central Bank of The Bahamas reported a 4.1 percent decline in stopover arrivals (the country's most profitable source of tourism) in 2013. Sluggish implementation of reforms coupled with growing public debt, a narrow revenue base, and heavy dependence on customs and property taxes led Moody's to conclude in early 2014 that the prospects for growth in The Bahamas were limited. (<https://www.moody.com>) Both Moody's and Standard & Poor's affirmed the country's credit rating in 2013, following a rating reduction by Moody's and a long-term rating outlook revision to negative by Standard & Poor's in 2012. (<http://www.standardandpoors.com>)

In spite of this apparent stagnation, the International Monetary Fund (IMF) in its January 2014 Article IV consultations predicted 2.3 percent growth for the country in 2014 (<http://www.imf.org/external/np/sec/pr/2014/pr1423.htm>), and the Government of the Commonwealth of The Bahamas (GCOB) asserts that the long-awaited benefits from foreign-investment-led activities, particularly those in tourism and construction, are imminent.

Lackluster economic growth and continuing high unemployment have encouraged a shift in GCOB policy towards an aggressive and coordinated pursuit of new foreign direct investment and renewed efforts to implement promised reforms. After consulting with policy advisors, the IMF, and international experts, the GCOB acknowledged that its revenue base was "extremely narrow and ill-suited to the expanding needs and demands of modern Bahamian society." This explicit recognition inspired several policy changes, including expenditure cuts that resulted in a narrowing of the deficit by 22.6 percent to \$209M and a growth in reserves to \$912M in January 2014, as well as an overhaul of the existing tax system to include a proposal to introduce a Value Added Tax (VAT) in an effort to broaden the tax base.

The Bahamas is the only country in the Western Hemisphere that has not acceded to the World Trade Organization (WTO). The GCOB has committed to accelerating its efforts to acquire full membership, which will require it to remove barriers to international trade and take further steps to facilitate foreign investment. While its goals are commendable and vital to economic growth, the GCOB will likely face continued internal and external obstacles to their successful implementation.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Other than in the areas noted below, 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 GCOB 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.

Laws/Regulations of FDI

The BIA acts as a first point of contact for investors to the country and serves to channel and facilitate investment approvals. The agency is mandated to act as a “one-stop shop” for investors and works to assist them in navigating the tedious approval process. It is also the lead agency for international promotion of The Bahamas as a destination for investment. The BIA works to direct investment to specific sectors in the economy through its management of the national investment policy. The NIP provides guidance to policy makers, but is not codified in law.

Screening of FDI

Decision-making in The Bahamas is highly centralized and all investments by foreign nationals are subject to a time-consuming review and approval process by the Cabinet or the National Economic Council. Investment proposals must include economic and environmental impact assessments. Bahamian investors are not required to undergo this process.

Limits on Foreign Control (Please use DOC Key words, Industries in this section)

While the NIP explicitly “reserves” certain sectors of the economy exclusively for Bahamian investors, there have been notable exceptions. Areas in which the government specifically encourages Bahamian-only investment include wholesale and retail operations, commission agencies engaged in the import and export trade, real estate and domestic property management agencies, domestic newspaper and magazine publication, **building** supplies, **construction** companies, personal cosmetics/beauty establishments, shallow water fishing, auto and appliance service operations, and public transportation. In 2012, The GCOB amended the NIP to restore restrictions on foreign investment in restaurants and **entertainment** businesses not attached to a tourist development. The GCOB has made exceptions to this policy, granting approval to foreign nationals for joint ventures and other investment projects that do not meet the criteria specifically outlined by the letter of the NIP. In 2011, the GCOB increased the minimum investment requirement by international investors from \$250,000 to \$500,000.

Industrial Strategy

The NIP encourages and provides incentives for foreign direct investment in the following priority sectors: 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** centers. The GCOB has also recently indicated strong interest in attracting FDI to non-traditional sectors, including alternative **energy** and **agriculture**.

Other Investment Policy Reviews

In the 2014 World Bank Doing Business Report (<http://doingbusiness.org/rankings>), The Bahamas dropped from 76th in 2013 to 84th in terms of the ease of doing business. The report also reflected a significant decline in the ease of starting a business and underscored the historically problematic issues related to property registration and contract enforcement.

According to the 2014 Heritage Foundation Index of Economic Freedom (<http://www.heritage.org/index/ranking>), The Bahamas' score decreased by 0.3 point to 69.8, making its economy the 36th freest in the world. While its overall score remains higher than regional and world averages, the authors of the report note that government interference and lingering corruption have undermined its long-term prospects for broader-based economic expansion. On a positive note, the report also acknowledged The Bahamas' efforts to accede to the World Trade Organization (WTO). Positive initiatives stemming from these efforts include the circulation of draft intellectual property legislation and efforts to establish a national standards bureau and rules of origin regime.

Investment Trends

Related to these developments is the government's proposed effort to further reduce the number of tariff and non-tariff barriers to trade. Progress has been made in the reductions of tariffs but there are still several lingering non-tariff barriers. These barriers, coupled with the lengthy and bureaucratic approval process, hinder investment and undermine the development of a vibrant private sector, according to the 2013 Index of Economic Freedom Report.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2013	(22 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's	2014	(69.8: 36 of 177)	http://www.heritage.org/index/ranking

Economic Freedom index			
World Bank's Doing Business Report "Ease of Doing Business"	2014	(84 of 189)	http://doingbusiness.org/rankings
World Bank GNI per capita	2012	\$20,600	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Individuals and corporations resident in The Bahamas are subject to capital or exchange controls. These controls and the related regulations govern all foreign currency transactions between residents of The Bahamas and residents of foreign countries. The legal basis for the policy is in the Exchange Control Act of 1974 and the Exchange Control Regulations. According to the country's Central Bank, the controls are designed to ensure "the disciplined use of the country's foreign currency reserves and to assist in its balance of payments." The existence of the controls is not generally considered an impediment to investment.

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. 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.

The current system allows international and local commercial banks to be registered by the Central Bank as 'Authorized Dealers.' This designation confers the authority to administer and conduct foreign currency transactions with residents of The Bahamas. Similarly, private banks and trust companies can be designated as 'Authorized Agents' and are permitted to act as depositories for foreign securities of residents and to conduct securities transactions for non-resident companies under their management.

Non-resident investors in The Bahamas must register with the Central Bank. If their projects are financed substantially by foreign currency transferred into The Bahamas, they will be given "approved status" meaning that profits and capital gains can be converted into foreign currency and repatriated. In practice, this has been done with minimal bureaucratic formalities and without limitations on the inflows or outflows of funds.

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. In January 2014 the country held just over half a billion dollars in excess reserves and 1.2B in excess liquid assets.

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 recent compulsory acquisitions of property for public use by the GCOB to facilitate the New Providence Road Improvement Project (NPRIP), but in all instances 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

Investment Disputes

There is no history of significant investment disputes in The Bahamas that directly involve the GCOB, although smaller contractual and other disputes between Bahamians and foreign investors or exporters are increasingly common. The Bahamas is not a signatory to an international trade agreement with a developed dispute settlement mechanism and, therefore, disputes must be settled within the judicial system or international arbitration. The Bahamian legal system is based on British common law and foreign nationals are afforded full rights in Bahamian legal proceedings.

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

The judiciary, appointed by the Governor General, is independent and there is no evidence of governmental interference with the system. The Attorney General, the Chief Justice, and the magistrates administer justice. The Bahamas remains a member of the British Commonwealth and still 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 recently announced its intention to develop itself as a center for international arbitration.

The judicial system is regarded as relatively free from corruption, but there are allegations of malfeasance by some of the 930 local attorneys. The President of The Bahamas Bar Association (BBA) reported that, in 2013, there were 115 reports to the BBA's Ethics Committee, several instances of attorneys being suspended, and four cases of attorneys being disbarred. Complaints made to the Embassy about local attorneys have primarily involved real estate transactions.

Judicial processes in The Bahamas are sluggish and the courts face a persistent backlog of cases. Civil cases, on average, take five years to resolve. The lengthy judicial process is sometimes manipulated by local defendants to evade payment of Bahamian civil judgments by deliberately dragging out court disputes, especially in cases involving non-resident plaintiffs. The Attorney General of The Bahamas has acknowledged this challenge, and has implemented a "swift justice" program that aims to improve the system by utilizing

video-conferencing technology to minimize delays related to court testimony by non-residents. Corporate plaintiffs must generally engage a resident attorney to represent their interests in court.

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.

Bankruptcy

Personal bankruptcy laws are antiquated and rarely used or enforced. Companies are regularly liquidated (voluntarily or involuntarily) according to the law. 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. The 2014 World Bank report notes that The Bahamas enhanced its insolvency process by implementing rules for the remuneration of liquidators, allowing voluntary liquidations, and outlining of clawback provisions for suspect transactions. (<http://doingbusiness.org/rankings>)

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.

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.

5. Performance Requirements and Investment Incentives

Performance Requirements

The Bahamas does not maintain formal performance requirements for investments, but policy statements suggest that the government is more inclined to approve projects that can provide proof of funding and will create local employment. Recent agreements negotiated with individual investors indicate an ad hoc approach to performance requirements that are not specifically supported in policy or law. In these cases, and particularly with larger developments, performance requirements are written into "heads of agreement," between the government and the investor. It is noteworthy that these heads also include GCOB obligations to the investor.

WTO/TRIMS

The Bahamas is an observer in the WTO and does not belong to the agreement on Trade Related Investment Measures (TRIMS). It has signed an Economic Partnership Agreement (EPA) with the countries of the Forum of the Caribbean Group of African, Caribbean, and Pacific (ACP) states (CARIFORUM) and the European Union.

Compliance with the terms of the EPA has resulted in reductions to both the range and rate of tariffs applied to goods originating from countries party to the agreement. While there is no specific discrimination based on rules of origin and, at the moment, no rules of origin regime in the country over the long term, the agreement could have implications for U.S. investment. The reciprocal agreement requires that The Bahamas eliminate duties on 87 percent of its tariff headings in five, ten, and fifteen year baskets. Provided that a trade agreement is not finalized between the U.S. and The Bahamas, and that The Bahamas does not accede to the WTO, the EPA could result in an advantage to EU and/or CARIFORUM producers over the long term.

Investment Incentives

Tax relief is the most significant investment incentive in The Bahamas. Currently the GCOB does not impose taxes on income, sales, estates, or inheritances in the country, and the only direct tax is real property tax. Bahamian nationals are not required to pay real property tax on undeveloped land or land outside of the major city centers. Casinos are specifically taxed, and there is a \$25 departure tax included in airline tickets. The government has initiated public consultations on the possible implementation of a Value Added Tax (VAT).

Other incentives for investment include concessions on import duties, property tax abatement, and, in some cases, land grants for private development.

The GCOB has acknowledged the need for customs and tax modernization and has recently begun reforms in this area. Progress has been slow, but current efforts are now being supported with financial assistance from the Inter-American Development Bank.

Industry and region-specific incentives are offered to any qualifying individual and available under the following legislation:

- *Industries Encouragement Act*
- *City of Nassau Revitalization Act*
- *Family Island Development Act*
- *Hawksbill Creek Agreement Act*
- *Free Trade Zone Act*
- *Export Manufacturing Industries Act*
- *Hotels Encouragement Act*
- *Agricultural Manufacturers Act*
- *Bahamas Vacation Plan and Time-Sharing Act*

- *Spirits and Beer Manufacturers Act*
- *Bahamas Investment Incentives Act*

Details of these and related legislation is available at <http://www.bahamas.gov.bs>

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. This encouragement is a part of the negotiations with government and it is not uncommon for an investor to gain greater concessions where there is direct benefit to local business or for an investment in economically depressed regions.

Work permits are generally facilitated for key foreign employees as part of the investment approval process, but government policy generally favors the employment of Bahamian nationals and, to a lesser degree, residents. Fees for work permits have developed as a revenue measure and, depending on the category of employee, can cost up to \$12,500 annually. Work permits for less senior employees and those without specialized skills are generally more difficult and time-consuming to obtain. Given the high unemployment rate, the Department of Labor is currently reviewing the work permit policy with an aim to making it more stringent. Work permits, like investment permission, are also subject to a time-consuming review process and require Cabinet approval.

6. Right to Private Ownership and Establishment

Beyond the areas “reserved” for Bahamian participation in the NIP, 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. However, 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.

The right of establishment is subject to licensing and approval by the relevant authorities, but generally foreign and domestic private entities may engage in all forms of remunerative activity. They may also freely establish, acquire, and dispose of interests in their business enterprises. However, any foreign investment is subject to a high level of scrutiny and approval by the BIA.

7. Protection of Property Rights

Real Property

The Bahamas’ score for ease of “registering property” in the World Bank’s 2014 Doing Business Report remains unchanged at 182 out of 189 countries. (<http://doingbusiness.org/rankings>)

The GCOB supports and encourages joint venture and partnership investments in some sectors of the economy (see National Investment Policy) and allows 100 percent foreign ownership of an enterprise. All international investments are subject to review by the National Economic Council/Bahamas Investment Authority and can benefit from the incentives as legislated by the government.

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. A noteworthy development in 2014 has been the reduction of stamp duties in the country, making it easier to register property. The duties now range between 4-10 percent of the value of conveyances.

Intellectual Property Rights

The Bahamian government is taking positive steps to strengthen Intellectual Property Rights (IPR) protection as part of its WTO accession process. The Bahamas is a member of the World Intellectual Property Organization (WIPO) but has not ratified the WIPO Internet treaties. There is no legislation relating to geographical indications, rules of origin, or technological protection measures, and there are recognized shortcomings in the current industrial design and patents legislation. To this end, the GCOB has implemented a "Plan of Action", which includes proposed legislative amendments to address gaps in the current IPR legislation. The goal of the proposed amendments is to provide greater IPR protections and more stringent penalties for violations. The new legislation will bring The Bahamas into compliance with the terms of the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO as well as its obligations under the Economic Partnership Agreement.

The Bahamas is 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 the U.S. Trade Representative (USTR)'s 2014 Special 301 Report.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>."

Embassy point of contact: Dawn Beaupain BeaupainDE@state.gov

8. Transparency of the Regulatory System

The Bahamas' regulatory environment ranks highly when compared with that of other countries in the Western Hemisphere, but there are some areas that continue to show structural weakness, including the ease of registering property, trade policy, and bureaucratic hurdles that undermine the investment environment. The 2014 World Bank Report highlights these challenges and, consequently, reduced The Bahamas' ranking in all but two categories, citing the bureaucratic and archaic judicial system and a slow reform of its land registry. While the government does advertise a market environment where

transparency, fair play, and equality of treatment are protected under the law, The Bahamas does not currently have legislation governing competition policy, antitrust policy, and government procurement.

Government procurement has been particularly problematic in The Bahamas. Successive administrations have reneged on or renegotiated contracts executed by previous administrations. Over the last year, the Embassy has received several complaints from U.S. companies alleging a lack of transparency and undue government interference with bidding and procurement processes.

From a practical standpoint, each ministry or governmental agency may employ any method to select a goods or services supplier. The Financial Administration and Audit Act state that a minister can approve any purchase up to \$50,000. In the case of purchases equal to or greater than \$50,000, but less than \$250,000, the Tenders Board, chaired by the Financial Secretary, will make a recommendation to the Minister of Finance for approval. Amounts exceeding \$250,000 must receive Cabinet approval. The process lacks transparency, there is no requirement to engage in open public tenders, and award decisions are not subject to challenge or review. The GCOB has implemented procurement procedures in the management of funds from international lending agencies but appears reluctant to implement best international practices for the management of national finances.

Other areas of concern include the discretionary issuance of approvals and licenses from various government agencies, the National Economic Council and other related authorities. In most instances, there is a general lack of transparency with an extremely limited to no possibility for review or appeal of a decision.

To encourage and maintain foreign investment and comply with new international agreements, the GCOB has undertaken a review of its investment policies with an aim to simplify the process and reduce ambiguity and suggested reorganization of The BIA to institute greater efficiency in the investment approvals process.

The Bahamas does not currently have legislation or institutions for the development and implementation of national standards. The government has indicated its commitment to developing a national standards bureau and is receiving technical assistance from the Department of Agriculture, Foreign Agricultural Service (FAS), the Caribbean Export Development Agency (CEDA) and the Caribbean Regional Organization for Standards and Quality (CROSQ).

9. Efficient Capital Markets and Portfolio Investment

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 and the Financial Intelligence Unit (FIU) 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 and commercial banks – which dominate financial intermediation. In January 2014, The Bahamas boasted 280 banks and trust companies licensed in the country. Of this number, 115 are

subsidiaries of institutions from 23 countries including Switzerland, the United Kingdom, Canada, and the United States. These institutions have a combined balance sheet of more than \$300B and over \$1 trillion in assets under administration.

The free flow of capital to markets is encouraged by the GCOB and supported by the functions of the publicly funded Bahamas Development Bank and the Bahamas Mortgage Corporation. The Small Business Loan Guarantee Program and the Bahamas Venture Capital Fund are initiatives of the previous Ingraham Administration (2007 – 2012) to fund 100 percent Bahamian-owned businesses through debt and equity financing. These initiatives have had poor results but continue to receive priority from the government. The GCOB proposed new legislation that would provide technical and financial support for small and medium-sized business development in 2014, to include a reorganization of the Bahamas Development Bank and The Bahamas Agricultural Industrial Corporation.

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.

10. Competition from State-Owned Enterprises

State-Owned Enterprises (SOEs) are active in the **utilities** and **services** sectors with a few notable monopolies still maintained by the GCOB. There has been a reduction in the number of SOEs in The Bahamas with the privatization and recent liberalization in the **telecommunications** sector, but, to date, the following SOEs are still maintained and funded by the GCOB:

- *Bahamas Air (National Flag Carrier)*
- *Bahamas Electricity Corporation*
- *Water and Sewerage Corporation*
- *Broadcasting Corporation of The Bahamas (ZNS)*
- *The Bahamas Hotel Corporation*

The Water and Sewerage Corporation (WSC) and the Bahamas Electricity Corporation (BEC) are the largest public corporations in The Bahamas. Both utility providers operate as monopolies and are supported by legislation. The GCOB 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 and sanitation **services**.

The GCOB has had a mixed record on privatization of telecommunications. The Ingraham Administration took some positive steps to divest ownership and sold 51 percent of the Bahamas **Telecommunications** Company (BTC) to Cable & Wireless (DBA LIME) in April 2011. The government retained ownership of 49 percent of the company. In 2014, at the initiative of the Christie Administration, Cable & Wireless agreed to transfer two percent of shares to a

trust to fund social programs, while board and management control would remain with the investors. The GCOB has recently announced liberalization of the sector, which would be overseen by a yet-to-be named national committee.

There is no immediate plan for the divestment of the national flag carrier, Bahamas Air. Privately owned airlines providing service to the various markets have consistently complained of the market distortions created by the national carrier. The private operators believe that the practice should be regulated by a competition authority and cite the fact that the national airline uses state funds to undercut fares as proof of unfair competition in the sector. Bahamas Air has operated at a loss for more than two decades.

The Bahamas Electricity Corporation is equally challenged and is seen by potential local and international investors as an impediment to diversification and development of an alternative **energy** platform. The corporation is the largest SOE in the country and has recently accumulated losses of more than half a billion dollars of debt. This debt has hampered its ability to independently fund the replacement of its decades old plants and the necessary expansion to meet the needs of the country. These factors combined with the increase in global oil prices have resulted in **energy** prices in The Bahamas being among the highest in the hemisphere. Investors recognized this confluence of issues as an opportunity and many have entered the market to offer solutions ranging from the introduction of utility scale alternative **energy** solutions to new generation plants fueled by CNG/Propane and other gas options. In response, the GCOB released and recently concluded three rounds of a request for proposal to divest 49 percent of the generation responsibilities of the corporation and for a privately owned management company to address the issues related to transmission and distribution. Five companies have been shortlisted as finalists and the expectation is that the process will conclude in mid-2014. The current monopoly makes limited provisions for self-generation and no coordinated policy for the introduction of renewable **energy** or the regulation of the sector.

Each SOE has a board of directors chaired by senior politicians, and includes board members drawn from the Chambers of Commerce, trade unions, governing party members, and broader civil society. Board memberships are paid and not subject to public vetting. Oversight is under the purview of a member of the Cabinet. Historically, these corporations were used to employ party supporters and, with few exceptions, none have demonstrated sustained profitability.

11. Corporate Social Responsibility

There is a growing awareness of and commitment to Corporate Social Responsibility (CSR) by local and foreign companies operating in The Bahamas. Companies resident in The Bahamas tend to set their own standards for levels of CSR, as it is not a requirement by law. There are no fiscal incentives available to companies that choose to demonstrate this responsibility. International companies have led CSR-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.

12. Political Violence

The Bahamas has no history of political 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.

Outside the context of elections, labor disputes have become unruly on occasion, and strikes and demonstrations are becoming more common in the country. These incidents are usually confined to the public sector where there is a larger percentage of unionized workers. The recent transition of the telecommunication company to private ownership was marked by employee protests.

13. Corruption

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.

14. 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) in 1985 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 Bahamas is also nearing completion of an Inter-Governmental Agreement under the Foreign Account Tax Compliance Act (FATCA).

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 has had modest success for exports under the agreement with some businesses citing high labor and other production costs being a major impediment to

achieving maximum benefits. The objective of CBI is to promote economic development through private sector initiatives in Central America and the Caribbean by expanding foreign and domestic investment in non-traditional sectors, diversifying CBI country economies and expanding their exports. The Bahamas continues to use this access guaranteed by waiver from the WTO as an incentive for investments in manufacturing in the domestic economy. The CBI agreement expires at the end of 2015 and prospects for an additional waiver are unknown at this time. The issue is of growing concern to current and potential investors in the region.

Other noteworthy agreements include CARICOM, the Economic Partnership Agreement (EPA), and CARIBCAN.

The Caribbean Community (CARICOM) was established in 1973 by the then-independent countries of the English-speaking Caribbean. The Bahamas joined in 1985 and has voiced strong support for the political and social objectives of the agreement, but has opted to only functionally cooperate on matters related to economic policy and regional trade. The Bahamas financially supports the work of CARICOM and contributes to the operations of the Caribbean Court of Justice even though it does not recognize the court for settlement of disputes originating in The Bahamas' jurisdiction.

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 EPA replaces the expired non-reciprocal trade relationship that existed under the Cotonou Agreement between these former European colonies. The overarching objectives of the EPA are to alleviate poverty in CARIFORUM states, to promote regional integration and economic cooperation, and to foster the gradual integration of CARIFORUM states into the world economy by improving their trade capacity and creating an environment conducive to investment. 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 and is expected to become reciprocal with strong support for development initiatives and integration within the region.

Additionally, The Bahamas has applied for benefits under the Caribbean Basin Trade Partnership Act (CBTPA) and is awaiting ratification.

15. OPIC and Other Investment Insurance Programs

Since 1992, the U.S. Overseas Private Investment Corporation (OPIC) has approved two investment projects in The Bahamas. It guaranteed up to \$10.8 million in loans to Uniroyal Chemical Company, Ltd. to assist in the purchase and refurbishment of a plant in Freeport. The Uniroyal plant has since closed. In addition, OPIC committed up to \$1.6 million to Landquest, Ltd., for the development of a cruise ship facility on the island of Eleuthera. The facility at Princess Cay, Bannerman Town, Eleuthera, is currently operational and a major source of employment for residents of the southern end of the island.

In 1999, OPIC signed with Citibank to establish a \$200 million investment facility for the Caribbean and Central America, as one means of encouraging investment and stimulating economic development. The Caribbean Development Bank, of which The Bahamas is a member, administers the program and provides financing and political risk insurance to viable private sector projects in these emerging markets.

The Bahamas is also associated with the Multilateral Investment Guarantee Agency of the World Bank, which insures investors against currency transfer restrictions, expropriation, war, civil disturbances and breach of contract by member countries.

16. Labor

According to the Bahamian Department of Statistics, the labor force grew from 195,660 at the beginning of 2013 to 196,880 by the end of 2013. The Bahamian labor force is generally considered to be well-educated by international standards. Despite this fact, national unemployment increased from 14.2 percent in 2013 to 15.4 percent in 2014. The island of Grand Bahama continues to experience the greatest challenge with local unemployment estimated by the Department of Statistics as upwards of 18 percent and unemployment among those under 30 years of age as high as 32.3 percent.

Wage rates, while lower than in the United States, are higher than elsewhere in the Caribbean. Well-qualified accountants and secretaries, and others with skills appropriate to the financial **services** industry, command a premium wage while wages for low-skilled labor, mostly found in hotels and restaurants, hover around the minimum rate. In the 2000/2001 Government Budget, the GCOB increased its minimum wage for public sector employees from \$4.12 per hour to \$4.45 per hour. The minimum wage for private sector workers is \$4 per hour. The Fair Labor Standards Act requires at least one 24-hour rest period per week, paid annual vacations, and employer contributions to National Insurance (Social Security). The Act also requires overtime pay (time and a half) for hours in excess of 40 or on public holidays. A 1988 law provides for maternity leave and the right to re-employment after childbirth. A new Minimum Labor Standards Act, including the Employment Act, Health and Safety at Work Act, Industrial Tribunal and Trade Disputes Act, and the Trade Union and Labor Relations Act were passed in 2001 and in early 2002.

The Bahamian Constitution specifically grants labor unions the right to free assembly and association. These rights are exercised extensively, particularly in state-owned industries and in the hotel industry (where 80 percent of the employees are unionized). The right to strike is governed under the Industrial Relations Act, which requires a simple majority of union members to vote in favor of a strike before it can commence. The Ministry of Labor oversees strike votes. Although prolonged strikes are still rare, work slow-downs and protests occur, and workers often use labor actions to force management to act on issues of concern to them. Labor unions and others involved in disputes with foreign-owned enterprises have not been above using the fact of foreign ownership as a lever to gain popular support for their demands. Labor relations are generally strained and, within the past 12 months, there have been several issues of concern raised by at least six major unions. These issues are being addressed within the law, but there have been at least two instances where employees have abandoned their jobs in protest of terms and conditions of work. On April 30, Bahamian attorney and trade union leader Obie Ferguson stated that there has been a complete breakdown in labor relations between the government and unions in The Bahamas. He

warned that this breakdown could lead to a massive strike if the government does not resolve outstanding labor issues.

There is significant concern in The Bahamas about increasing immigrant labor and the growing number of undocumented workers, in particular. The Immigration Act requires foreigners to obtain work permits before they can legitimately be employed in The Bahamas. The GCOB permits foreign employees to work in a technical, supervisory or managerial capacity, provided no similarly qualified Bahamians are available for the job. Foreign business owners are expected to train as many of their Bahamian employees as possible to eventually fill technical and managerial positions. Work permit fees range from \$500 to \$12,500 per year.

17. Foreign Trade Zones/Free Ports

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, lack transparency.

The founders and current owners of the GBPA have facilitated the investment of billions of dollars into the infrastructure of the island, but have had modest success in creating sustained economic activity. To its credit, the GBPA has facilitated the development of a deep-water harbor, container port, and the largest privately owned airport in the region. With the assistance of joint venture partners, Freeport is also home to a significant cruise ship terminal, industrial park, and is poised to become The Bahamas' leading industrial city.

In 1993, the GCOB extended the Hawksbill Creek property tax exemptions to 2015 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 are expected to begin in 2014, but there is already debate as to whether the GCOB should maintain and extend the benefits of the free zone or return the management of this area to the control of central government. The issue has been raised in the WTO membership negotiations, specifically regarding the capacity of the GBPA's ability to conduct operations and act as an effective independent regulatory authority.

The GCOB has hinted at plans to extend the exemptions granted to the Free Zone to the entire island of Grand Bahama.

Additional information is available at www.gbpa.com

18. 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
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	N/A	N/A	2012	\$8,149	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
Inward FDI Flows (Millions U.S. Dollars)	N/A	N/A	2012	1,094	United Nations Conference on Trade and Development World Investment Report 2013: http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx
Outward FDI Flows (Millions U.S. Dollars)	N/A	N/A	2012	367	United Nations Conference on Trade and Development World Investment Report 2013: http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx

TABLE 4: Sources of Portfolio Investment

The Bahamas, 2012

Portfolio Investment Assets									
Top Five Partners (Millions, US Dollars)									
Total			Equity Securities			Total Debt Securities			
All Countries	12,113	100%	All Countries	1,795	100%	All Countries	10,318	100%	

United States	5,381	44%	United States	994	55%	Brazil	4,936	48%
Brazil	5,340	44%	Brazil	404	23%	United States	4,387	43%
Guatemala	460	4%	United Kingdom	166	9%	Guatemala	460	4%
United Kingdom	190	2%	Sweden	85	5%	Germany	129	1%
Argentina	147	1%	Netherlands	47	3%	Argentina	108	1%

Source: <http://cpis.imf.org/>

The Bahamas is experiencing growth in the investment fund sector, and has seen significant increases in investments from Brazil, in particular. According to the Securities Commission of The Bahamas, the increase is due to the development and approval of SMART Funds – risk-adjusted, low-cost investment structures. The Bahamas was recently designated a Status A signatory of the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding.

Sources of portfolio investment are not known to be tax havens; however, the BIA actively promotes The Bahamas' tax-free environment for investors.

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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