



**FREQUENTLY ASKED QUESTIONS
ON
THE BAHAMAS' APPROACH TO IMPLEMENTATION OF THE COMMON
REPORTING STANDARD (CRS) & RELATED MATTERS**

September 9th, 2016

- 1. With regard to the CRS, why has the Bahamas decided to take the bilateral route?**
The method by which a country can implement the Common Reporting Standards is at the discretion of the Country and is not mandated by the OECD. The OECD Global Forum provided two (2) options for the implementation, the Bilateral or the Multilateral approach. Both adhere to the International Standards for tax co-operation and transparency. The Bilateral approach was selected because: (i) It is an option provided by the OECD Global Forum and has been adopted by other countries; and (ii) The Multilateral convention is more suited to jurisdictions that have direct taxation regimes. The Bahamas does not have a direct taxation regime.
- 2. How many TIEAs has the Bahamas signed to date?**
The Bahamas has signed 33 TIEAs to date.
- 3. When did it last sign a TIEA?**
The last TIEA was signed in June 2015.
- 4. Does the Bahamas have other TIEAs in the works?**
Yes, the Bahamas does have other TIEAs in the works. However, these negotiations are between governments and the details of which are confidential. Once concluded the details become available to the public.
- 5. Does the Bahamas have concerns about the security of data exchanged with other countries?**
Like other participating countries The Bahamas does have concerns about the security of data exchanged with other countries and must conduct assessments under the provisions of local laws. However, this is also mitigated to some extent by the fact that the OECD Global Forum is the body that conducts security data assessments, of Jurisdictions, to

ensure that they meet the requisite standards of confidentiality and data security safeguards.

6. Does the Bahamas see going the bilateral (rather than multilateral) route on information exchange as providing a competitive advantage?

We see neither of the options provided by the OECD Global Forum for automatic exchange of information as providing a competitive advantage. At the end of the day all countries must implement the standards by the designated timelines. The bi-lateral approach will require more resources however we believe it is the best option for the Bahamas given our current tax regime and the fact that the multilateral convention approach is geared towards countries with a direct tax regime. We are committed to negotiations in good faith with any appropriate partner that approaches us to enter into a bilateral agreement.

7. Are there any plans to make tax evasion a predicate offence for money laundering in the Bahamas?

The Government of the Bahamas is continuously reviewing its legislative framework to ensure that we meet International Standards for best practice with respect to AML/CFT as well as matters relative to tax cooperation.

8. How has the Bahamas demonstrated that it is committed to international standards as it relates to anti-money laundering, counter-financing of terrorism and tax cooperation?

The Bahamas has demonstrated a commitment to create a financial services sector that is well equipped to compete and succeed in the increasingly regulated environment in which the industry now operates. The most significant aspects of the Bahamas' regulatory measures may be summarized as follows:

a) A Strong Anti-Money Laundering (AML) and Counter-financing of terrorism (CFT) Regime:

The Bahamas has always been committed to complying with international best practice and has fared well in its phase two 'Peer Reviews' by the OECD's Global Forum. In fact, The Bahamas has been deemed "largely compliant" with the OECD's existing standard of exchange of information on request. Some of the key elements from the rounds of the Bahamas' regulatory reform are as follows:

- In 2000 The Bahamas eliminated bearer shares;
- Since 2001: There is the filing of a register of directors and officers for companies;
- The law mandates that financial institutions have Known Your Client/Client Due Diligence as well as Counter Financing of terrorism processes. Further, regulators have issued guidelines to industry outlining best practices for verifying customer identity and for developing anti-money laundering procedures and measures to prevent terrorist financing.

- There is a regulatory framework for the reporting and investigation of suspicious transactions;
- Independent inspections and regulatory examinations of financial service providers including corporate service providers for compliance with AML/CFT laws;
- The 2000 legislative restructuring included the Evidence (Proceedings in Other Jurisdictions) Act and the Criminal Justice (International Cooperation) Act. The former regulates cooperation by Bahamian courts in civil matters while the latter regulates such cooperation in criminal matters. The 2000 legislative restructuring included the Evidence (Proceedings in Other Jurisdictions) Act and the Criminal Justice (International Cooperation) Act. The former regulates cooperation by Bahamian courts in civil matters while the latter regulates such cooperation in criminal matters.

b) Tax Transparency and Cooperation:

In 1998, the OECD sought to have 40 plus countries, including The Bahamas, adopt the G20 standard on Transparency and Cooperation in Tax Matters. The Bahamas, in a 1999 presentation to the OECD, insisted on a level playing field. This principle was formally accepted by the OECD in 2002.

The Government of the Bahamas held firm to this principle and kept faith with the industry. In 2009, The Bahamas, moved to implement the standard immediately following global consensus and the achievement of its key pre-condition of a level playing field. On March 20, 2010, The Bahamas achieved the G20 standard on Transparency and Cooperation in Tax Matters. Today, The Bahamas facilitates international co-operation in tax matters through 33 Tax Information Exchange Agreements (TIEAs).

c) FATCA Compliance

On 3 November 2014, The Bahamas and the US signed their Agreement to Improve International Tax Compliance (the Agreement) and to implement the Foreign Account Tax Compliant Act (FATCA) based on an intergovernmental agreement known as the Model I IGA.

9. Under CRS, will the Bahamas enter into exchange of information agreements widely and in an expeditious manner?

The Bahamas Government is committed to engaging in good faith negotiations with appropriate partners that approach The Bahamas to enter into bilateral negotiations, as is required by the OECD Global Forum. We are also committed to meeting our 2018 commitment and we have consistently conveyed this message in all fora.

The Bahamas commitment to tax co-operation and transparency is evidenced by the implementation of The Foreign Account Tax Compliance Act (FATCA) and Tax Information Exchange Agreements (TIEAs). We have always been committed to complying with international best practices as evidenced by our phase two 'Peer Reviews' by the OECD Global Forum where The Bahamas has been deemed "largely compliant" with the OECD's existing standard of exchange of information on request. On 3 November 2014, The Bahamas and the US signed an agreement to improve International Tax Compliance (the Agreement) and to implement the Foreign Account Tax Compliant Act (FATCA) based on an Intergovernmental Agreement known as the Model I IGA. FATCA was successfully implemented in The Bahamas and all deadlines were met.

10. Is undeclared money "safer" in the Bahamas than elsewhere?

The Bahamas is a responsible, compliant International Financial Center. We are committed to maintaining the very highest levels of conduct, complying with the international standards, to prevent the abuse of our financial system, by money launderers and criminal elements, including the use of our jurisdiction for undeclared money. We are cognizant of the damage that such representations could have particularly in light of the contribution that the Financial Services sector makes to our economy, providing employment, foreign exchange earnings and contributing more than 15% to our GDP. We care committed to meeting the highest international standards of best practice.

11. What are the next steps for The Bahamas to ensure timely implementation of CRS?

The implementation framework and action plan with measurable goals and timelines for compliance with CRS have been developed. The AEOI/CRS legislation is imminent and we are confident that we will meet our commitment to the 2018 implementation upon completion of the following:

1. Review working draft legislation, regulations and guidance and negotiation schedule;
2. Organize stakeholder consultation;
3. Amend draft legislation and negotiation schedule and produce second draft for further consultation based on feedback;
4. Finalize negotiation schedule;
5. Review of legislation along with the Office of the Attorney General and The Ministry of Finance to ensure streamlined and efficient enactment.
6. Finalize legislation