

Remarks by Ryan Pinder, Minister of Financial Services

Chamber of Commerce Meet-the-Minister luncheon

May 16, 2013

Introduction

Good afternoon, I want to personally thank the Bahamas Chamber of Commerce for the invitation to speak with you today. I want to personally congratulate the new Board of Directors of the Chamber of Commerce on their Annual General Meeting and the election of the new Board of Directors. I look forward for a progressive and positive year with the new Board. I also want to welcome the representatives from the Organization of Young Professionals who are here today. I had the opportunity to speak to an OYP event last year and genuinely admire the vision and progressive attitude of the aspiring young membership, the new entrepreneurs of the country. I understand recently the Organization of Young Professionals had their board elections and have a new Board. I want to congratulate them on their new leadership and encourage the membership to put forth the ideas of the young entrepreneurs, do not be afraid to take positions and make recommendations to the Government.

Today I have been asked to address you on matters related to my portfolio, financial services, trade and the prospective development of an arbitration center. All three of these areas are matters of constant evolution and new developments and matters particularly important to the economic development of the country, and of note, areas where new

entrepreneurial opportunities lie for the young professionals and entrepreneurs of the country.

Financial Services

"The Future of Financial Services" is a debate going on in many circles today. Are the glory days over forever? What are the niches to be exploited? Any new products on the horizon? What are potential opportunities? What reforms are required? What should industry players be doing? These are all valid questions. Many in the industry today are becoming intimidated, concerned, or nervous about the changing international environment in financial services. This is a legitimate concern, but I would also encourage all to see opportunity as well from the changing international environment. We in the Bahamas are truly blessed, we are an international financial center who has experienced the ebbs and flows, the ups and downs, the shifting landscape and have more times than not come out ahead, surfaced with new opportunities to leverage and take advantage of. Today is no different, in an environment of changing atmospheres, and shifting sands, we the Bahamas, us the Bahamian financial services professionals have great opportunities.

After a year at the helm of this Ministry, the biggest problem that I have identified is that The Bahamas' brand as a financial services sector is unclear in the international marketplace. As I mentioned in Brazil a few weeks ago, we do not have the largest funds or companies registries. We do not offer only one product like insurance. We are not a specialty or commodity jurisdiction.

What we do have, though – and we must begin to truly believe this – is so much better. We have product depth and width. You can come to The Bahamas and get banking and trust services; use a myriad of our products to set up your fund products. You can rest assured that your compliance work can be adequately covered from The Bahamas by Bahamian professionals. You can administer and licence your funds from here. We offer insurance products to the international community. The Bahamas is a preeminent, full service financial and business center, one that believes that the business of financial services is not singularly product focused, but is an industry that demands a comprehensive service provider approach. This is the Bahamas product, this is our brand, we are a full service international business and financial jurisdiction. This is the philosophy that each in this room must advance, must believe in and must live.

The Bahamas model has changed. Gone are the days of just back office. There is a clear movement towards added value structuring in response to a more sophisticated international clientele. We acknowledge in a changing economic environment skills gaps can develop in the immediate short term, but the Ministry of Financial Services, in cooperation with the Ministry of Education, the Bahamas Institute of Financial Services, the College of the Bahamas and industry groups such as Bahamas Association of Compliance Officers has already charted a human capital development strategy that will ensure that the gaps are identified and necessary training is in place to cause them to be filled.

As mentioned, we are a jurisdiction that is not a commodity jurisdiction in financial services, but one that positions itself as a Full Business Centre. Products inclusive of trusts, banks, funds, insurance, services for the wealthy, second homes, yacht services, aircraft services, arbitration are just some of the diversified offerings that make up our business center, a center with substance. This substance must be supported by professionals with experience and knowledge. We have to take this philosophy to new markets we identify, new opportunities in a changing environment.

Today we see the Latin American markets demonstrating growth. Latin American clients are more and more diversifying their investment strategies, looking to put some of their assets in international markets, and are looking for a platform and certain structures to effect that by. We have recognized this and have allocated significant resources and focus on Latin American markets, and particularly Brazil, Panama and soon to be Mexico. As we advance the Bahamas as a jurisdiction of choice, we have to be aware of new opportunities, and have the ability to move and adjust to advance the Bahamas, and the financial services industry. For example, we sat with a Brazilian attorney with experience in private wealth planning and investment funds. He explained the anticipated amendments to Brazilian domestic laws and spoke of an opportunity that might exist in the creation of a new product that would provide significant synergies with our current SMART Fund product. We seek to advance these discussions with the Office of the Attorney General to explore the viability of new product development for the Brazilian market. We have track record in this regard and will continue it.

We as a country have proven ourselves to be a full service and nimble international financial center, we will continue that philosophy with new product development. Your obligation is to understand new developments, not only so you can ensure that you can perform your obligations as financial services professionals, but so that you can also identify new opportunities for you as Bahamian professionals in the financial services industry. This not only applies to new product development as I have described, but also to new business sector development.

As international wealth planners and investment managers become accustomed and enthusiastic about structures and business in the Bahamas, we have witnessed an increase in interest in them doing business in the Bahamas, causing for physical operations to be based here in the Bahamas to either supplement, or alternatively head a business or business unit. We have to advance this in the international community as it provides many direct and indirect opportunities for the advancement of Bahamian professionals in the industry. As an example, in Brazil a few weeks ago, multiple investment and asset managers inquired as to establishing both fund administrator operations and investment manager operations here in the Bahamas to service their clients internationally. This is a great opportunity for the country, our industry, and you as financial services professionals. Each new institution not only provides new employment and career development opportunities, but could also act as new clients for your very own entrepreneur endeavors.

However, we also must be a jurisdiction that is attractive to do business, one that promotes our interests as Bahamians, recognizing the level of service to the international clients and business operators looking to do

business in the Bahamas. We must do so in cooperation with the private sector. I want to personally commend the Bahamas Chamber of Commerce and the Bahamas Financial Services Board, along with the Association of International Banks and Trust Companies for working together with my Ministry and the Ministry of Immigration to address a significant customer service matter to the financial services industry.

Through focused and progressive cooperation, cooperation that is not played out in the press but in joint initiatives, I am pleased to announce that there is a recognition of the special needs of the financial services industry to focus on the customer service aspect of immigration. The Minister of Immigration has such committed to identifying separate offices and special immigration project officers to cause and implement a stream lined, focused procedure for the advancement of immigration matters from the financial services industry. The processing will be consistent with the policies of the Government, recognizing the needs of the financial services industry in cooperation with the development of domestic human capital. The intent is to cause a streamlined process, one that responds to the customer service demands of the industry. I want to commend my colleague Minister for being progressive, and commend the private sector for engaging to identify challenges and working through to accomplish solutions to the business of Government. I also want to commend the private sector of the financial services industry who has pledged their tangible support in implementing the infrastructure requirements of this new process of the business of Government, thank you to their willingness to be a part of this plan in a tangible way. In instituting this plan I would recommend that it be viewed as pilot program on how the business of Government, especially in Immigration, responds to a very significant industry in the Bahamas. And the framework be evaluated, and considered for the needed customer services demands of other key industries in the

Bahamas. This recognition and strategic plan should bolster the reputation of the country as a jurisdiction to do business, and cause for greater economic growth and opportunities for many of you here today.

Trade

The second primary portfolio of the ministry of Financial Services is international trade, inclusive of the implementation of the EPA, progress, accession to the World Trade Organization, and developing trade policy that allows Bahamian businesses to have greater opportunities to advance in the global marketplace. The future of the Bahamian economy is also exceptionally bright when regard is had to the Government's strategies in the context of international trade. We believe that there are opportunities for exponential growth, provided The Bahamas taps into the international trading markets as exporters of goods and additional services.

We have, as a country, traditionally been isolationist when it comes to international trade. For the first time, concerted and targeted attention is being given first, to identifying commercial and economic opportunities which might exist internationally through multilateral, regional and bilateral trading regimes and second, to pursuing those opportunities diligently and in a structured fashion. The Government has taken a two prong strategy to international trade: the first is to devote resources to defined trade policy; and the second is to engage in active trade promotion, increasing the volume and quality of business transactions which are executed across our borders.

Economic Partnership Agreement

On the trade policy side, the Government has reached for the low hanging fruit, those initiatives which can bring immediate gain to Bahamian businesses. To this end, the Government is in the process of implementing its trade obligations which exist under the Economic Partnership Agreement between CARIFORUM (which is CARICOM and the Dominican Republic), so as to expedite the returns our businesses might receive.

Some of you would have participated [last month] in consultations with EPA Consultants from the Regional EPA Implementation Unit. These consultants undertook an analysis as to where The Bahamas is in the implementation process and will provide the Government with a comprehensive report on the next immediate steps which are to be taken to aid in EPA implementation.

The anticipated Report will be utilised as a basis upon which to access a European EPA Standby Facility of upwards of [€300,000], to be utilised for trade infrastructure including contributions toward a sanitary and phyto-sanitary regime, a standards bureau, rules of origin training for the trade of goods and a full communications strategy. These things immediately facilitate international trade.

The Government is also establishing an EPA Implementation Unit, which is required under the EPA and is intended to enable focused attention to be given to matters related to the EPA. The Government has already held numerous consultations with members of the private sector as regards the opportunities available under the EPA and will continue this at the end of May with targeted services sector participants seeking to access the EU market. In June, regarding the trade in goods, a Rules of Origin Consultant will visit The Bahamas for both private sector and

public sector training on Rules of Origin, the mechanism which enables us to verify that goods being exported abroad originated in The Bahamas, an underpinning of our value added trade strategy which I will discuss in a few minutes. By the EPA, we gain preferential market access to the markets of the European Union and, eventually, CARIFORUM states.

World Trade Organization

However, there is an even larger market for Bahamian business to access on a preferential basis. The Government has diligently accelerated the pace at which we pursue preparedness for accession to the World Trade Organization. Many of you would be aware that in 2001 the Government first applied to accede to the World Trade Organization. The led a delegation to Geneva last year for only the second Working Group Meeting, seeking to advance our accession. We propose to hold the third Working Group Meeting before the end of Fall this year. This increase intensity of engagement with the WTO is representative of the Government's commitment in this area.

Moreover, I am sure that many of you would attest that the Government has either kept you fully informed or, in most cases, have consulted your respective associations directly for input on how The Bahamas' accession to the WTO should be crafted. In particular, we would have dialogued with you regarding the suite of legislation on Intellectual Property to be tabled shortly in the House of Assembly and, more recently, the Government would have consulted the public on SPS legislation. We are presently in the process of preparing a consultation schedule to be executed between now and end of June to prepare market access offers to the WTO members.

There is always discussion surrounding the purpose of WTO membership. I have continued to point out that the undeniable benefits include guaranteed market access in a global marketplace, as well as transparent and defined rules and legal protections in trade. I want to give a brief example of what is meant by guaranteed market access. I have used the example of the crawfish industry, and the necessity of the EPA to guarantee market access of our crawfish to Europe. There is a more current matter developing that addresses the concept of market access. The Bahamas, through CARICOM, is party to the CARICOM – Canada trade agreement where trade into Canada is given preferential access, specifically favorable tariff rates. We currently trade crawfish, as well as oil through the facilities in Freeport with Canada, taking advantage of the preferences in the CARICOM-Canada trade agreement. This agreement is the subject of current negotiations and the waiver under the WTO which permits it expires at the end of the calendar year. There are indications that the necessary waiver will not be extended to allow the preferential treatment to be extended, and it is unlikely the negotiations for a new agreement will be concluded by the end of the calendar year.

The other CARICOM countries, with no preferential trade agreement, will by default fall back to the most favored nation tariffs and arrangements by way of their WTO membership, preserving to a certain degree trade preferences, even if the preferences are fewer than what was found in the CARICOM-Canada agreement. The Bahamas, not being a WTO member, does not have the luxury of falling back to these same provisions. What does this mean for trade with Canada? What does this mean for the attraction of new business with Canada? These are open questions for current and future industry. These are issues that we have to address in an expedited fashion, the Bahamas has no plan B

for the expiration of the CARICOM-Canada agreement, we are not members of the WTO. This is what is meant when we discuss guaranteed market access as a benefit to WTO membership.

Valued Added Trade Strategy

What is the objective of developing this legal international trade policy regime? It is to provide the formal structure and environment in which Bahamian businesses are able to have an international focus, with a measure of stability and predictability.

The Government has launched a value-added strategy, and at the core of this strategy is the utilization of preferential market access to other jurisdictions. A value-added trade strategy is one that seeks to increase the value of a product at each stage of production, such stages which may occur in varying jurisdictions, utilizing both trade in goods and services. It has the potential of leveling our trade balances by simultaneously increasing our export of goods (namely the value-added product) and services (for example distribution, transportation and professional services). There is not only a global demand for jurisdictions to serve as value-added trade centers, but The Bahamas, more specifically this city of Freeport, presently contains the necessary international trade logistics infrastructure for the creation of such value-added trade centers. The trade logistics infrastructure is arguably the best in the hemisphere including: the container port, transshipment terminals, shipyard repair facilities and our geographical location at the crossroads of the Americas.