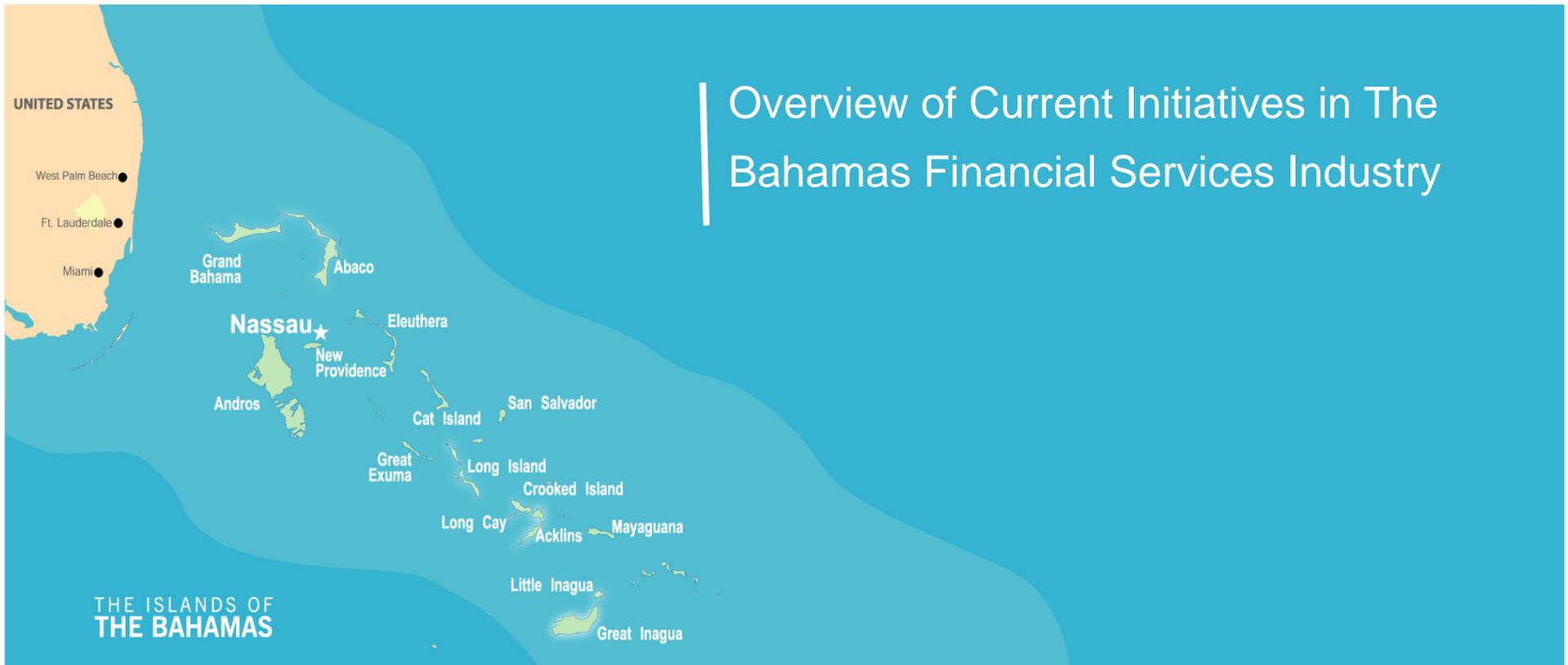


Overview of Current Initiatives in The Bahamas Financial Services Industry



STEP AGM | June 2007

A presentation by



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THE OPPORTUNITY AND CHALLENGES

HNWI financial wealth projected to increase at an annual rate of 6.5% and reach US \$42.2 trillion by 2009 according to the World Wealth Report.

North America and Europe will also continue to enjoy considerable growth over the next several years, creating an unprecedented globalization of wealth.

Wealth accumulators are growing in number, getting rich younger and hail from the four corners of the globe. The Bahamas must meet the different demands of both the “old” and “young” wealth.

The most significant growth in HNWI financial wealth continues to be in Asia, with China emerging as the market with the greatest potential.

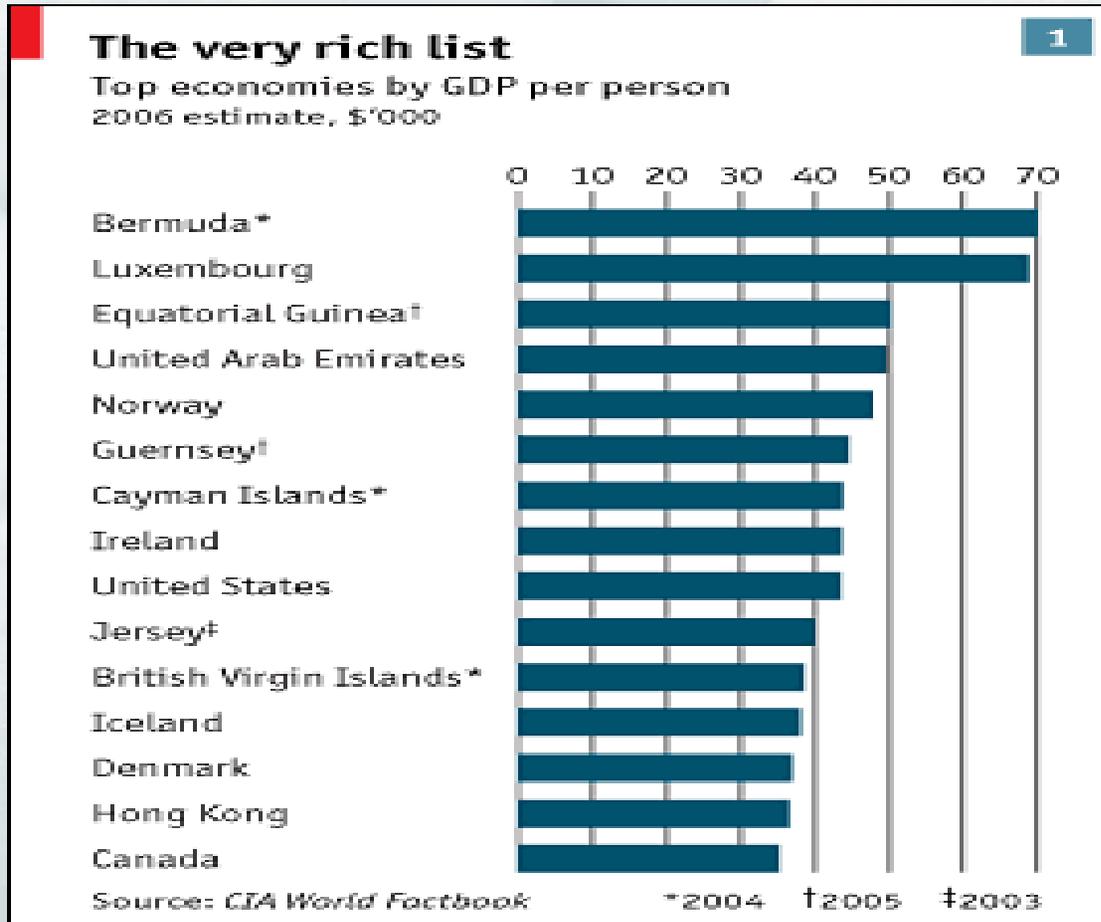
Major onshore centres moving into areas once the dominant domain of offshore centres as features once unique to traditional offshore centres are now eroded



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THE OPPORTUNITIES & CHALLENGES



Source: Economist



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THE OPPORTUNITIES & CHALLENGES

Growing list of choices for locations where both new and old wealth can find a home

Bermuda is the richest country in the world with a GDP per person estimated at almost \$70,000, compared with \$45,000 for the Americas.

On average, the citizens of Cayman, Jersey, Guernsey and the BVI are richer than most of Europe, Canada and Japan. This has encouraged other countries with small domestic markets to set up financial centres of their own to pull offshore money - most spectacularly Dubai but also Kuwait, Saudi Arabia, Shanghai and even Sudan's Khartoum.

There are now some 13 countries in the Caribbean with legislation designed to promote international financial services



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THE OPPORTUNITIES & CHALLENGES - THOUGHT LEADERS PERSPECTIVES

The Economist :

- Financial services are lucrative and provide a much more stable income than crops or fickle tourism.
- Being a successful OFC is tougher than it used to be. The best-run compete not only with offshore rivals but also in certain industries with onshore ones.
- OFCs that are careless with their reputation may find themselves shunned by big, listed multinationals that are their lifeblood.
- Being quick on one's feet is important for OFCs not only because competition is fierce but because many offshore products are easily commoditised.
- Expertise helps OFCs beat off the competition.



A MAJOR BAHAMIAN ASSET

FSI contributes **15% directly to Bahamian GDP**

FSI contributes **some 27% of Bahamian GDP (direct, indirect, imputed)**

Financial services support around 22,000 jobs in The Bahamas, over 13% of total employment.

Financial services reduces the country's economic vulnerability

Brain drain avoidance as **the opportunities in the financial services sector are among the best-rewarded jobs available**

FSI generates **\$200 million in government revenues and 19% of the tax base.**

Ratio of domestic to international FSI is 2:1.

Longstanding contributors to charities, scholarships, national hurricane relief fund, etc.

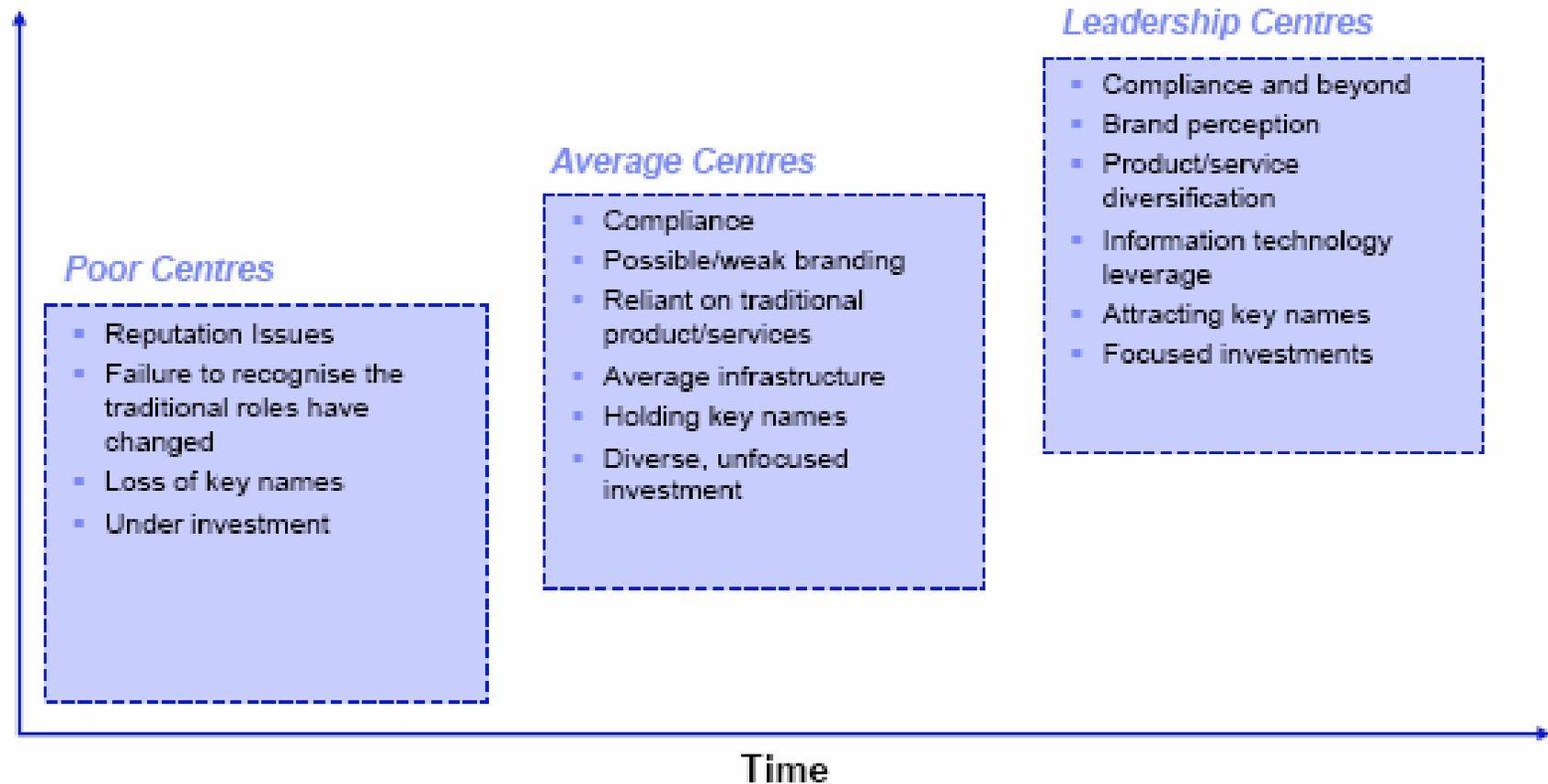
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Pathways: Much depends on an objective view of the centres capabilities and their desired level of future transformation



GLOBAL FINANCIAL CENTRES INDEX

London	1
New York	2
Hong Kong	3
Singapore	4
Zurich	5
Frankfurt	6
Sydney	7
Chicago	8
Tokyo	9
Geneva	10
Cayman Islands	16
Bermuda	17
Channel Islands	19
Dublin	22
Dubai	25
Luxembourg	26

Source: GFCI



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IS DIFFERENTIATION KEY TO STRONG BRAND?



Global Financial Centres Index : Leadership Indicators

- **People:** availability of good personnel, the flexibility of the labour market, business education and the development of ‘human capital
- **Business Environment:** regulation, tax rates, levels of corruption, economic freedom and the ease of doing business
- **Market Access:** securitisation, volume and value of trading in equities and bonds as well as the clustering effect of having many firms involved in the financial services sector together in one centre
- **Infrastructure:** cost and availability of buildings and office space
- **General Competitiveness:** the concept that the whole is ‘greater than the sum of the parts’ considers overall competitiveness levels of cities and how cities are perceived as places to live



Global Financial Centres Index : Leadership Indicators

Area of Competitiveness	Percentage of responses
Business Environment	46.2%
People	37.2%
Infrastructure	29.5%
Market Access	12.8%



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Will The Bahamas Reposition itself vis-à-vis its Natural Competitors

Competitiveness

GFCI Factors Rank

- | | |
|---|----|
| 1. The availability of skilled personnel | 1 |
| 2. The regulatory environment | 2 |
| 3. The availability of business infrastructure | 4 |
| 4. A fair and just business environment | 6 |
| 5. Government responsiveness | 7 |
| 6. Operational costs | 9 |
| 7. Access to suppliers of professional services | 10 |
| 8. Quality of life | 11 |
| 9. Culture & language | 12 |
| 10. Quality / availability of commercial property | 13 |



THE THREATS FOR IFCs IN GENERAL

How would you rank the following as threats for:

Reputational Risks	1	
Money Laundering	2	
Regulatory Pressure	3	
Exchange of Information	4	
Skills Shortage	5	» Bahamas Ranking 3
Competition	6	» Bahamas Ranking 4
Transparency	7	
Legislative Changes	8	
European Tax Harmonisation	9	
Market Consolidation	10	
Globalization	11	
Differentiation	12	» Bahamas Ranking 10



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Bahamas Matters

1. Reputation Management
 2. Regulatory Regime
 3. Registrar General Department
 4. Public Sector Capacity and Coordination Reinforced
 5. Industry Skills Development
 6. Securities Industry : SIA, Fund Administration & IOSCO MMOU
 7. Insurance Industry : Domestic & External Insurance Act
 8. Immigration as a Tool for Development
 9. Market Access & EU EPA
 10. Promotion of the Industry : BFSB, Economic Missions
- **Building a Sustainable Business Model**



JURISDICTION DEVELOPMENT PROGRESSES

Improvements are underway:

- Banker Award
- PwC survey
- Registrar General Department – systems implemented to permit 48 hr incorporation. Funds & Foundations available on-line. Major work continues to ensure a robust operations platform.
- Securities Commission – 72hr approval turnaround of certain types of funds, 14 days for world class fund administrators.
- Department of Immigration – 6 week turnaround time on financial services related applications.
- Central Bank partners – introduction of a light touch regulatory framework for Private Trust Companies.
- Active engagement with Regulatory Agencies – contributing to policies and pursuing an efficient execution of regulatory standards.
- 45 FSI legislative developments
- Longstanding role played by the professional industry associations



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JURISDICTION DEVELOPMENT PROGRESSES

Regulatory Dialogue Key on Wide Ranging Matters

- Exchange control & policies re FCSP
- AML recognition & guidelines
- Eligible Introducers
- Geographic updates
- Recognition of key jurisdictions
- Approach to Master/Feeder Funds
- Investment Managers & physical presence requirements
- Operational best practice guidelines
- SMART funds # 005 & reporting
- Operational protocols
- Application process review
- Guidelines impacting business sectors
- Business Continuity Guidelines



INTERNATIONAL OUTREACH DEEPENS

Relationship building with Intermediaries

Briefing Visits with presentations on key Bahamas characteristics, status of international initiatives and principal changes in product legislation

Conference participation: sponsorships, exhibits, presentations

Bahamas Briefing Sessions

PWM: '04, '05 & '06

Funds – '04, '06



INTERNATIONAL OUTREACH DEEPENS

“An excellent initiative – well executed. Initiatives of this sort are critical to any jurisdiction which wishes to remain competitive in the private wealth management business in the years to come.”

- Quote from Bahamas Briefing participant

“Very informative and assuring; it’s positive to see that the Bahamian Government obviously is willing and ready to partner with the private sector to provide a beneficial product to the foreign investor.”

- Quote from Bahamas Briefing participant

“Please accept my apologies for not being able to make it out to the last roadshow of the BFSB in Geneva but I thought it would please you to note that I have received some very positive feedback from one of my clients, who actually did not attend the meeting but was in contact with someone who did, and it appears the general consensus among financial intermediaries here in Geneva is that The Bahamas is making a strong come back in the financial services sector. Congratulations on this and keep up the good work”

– Prince Rahming PricewaterhouseCoopers (Geneva)

“Yes – [The seminar] was quite excellent and thank you for asking me”

– Quintin Jones Rock Capital Group (London)

“I thought the Geneva presentation was excellent and I hope it went equally well in Zurich. Congratulations to all concerned-- a great credit to the jurisdiction”.

– Mr. Richard Pease Lenz Staehelin (Geneva)



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DOMESTIC OUTREACH ESSENTIAL



2006 FINANCIAL SERVICES INDUSTRY EXCELLENCE AWARDS

Taking time to recognise the stars of our industry.

Sponsored by  **BAHAMAS**
FINANCIAL SERVICES BOARD

in collaboration with the
Professional Industry Association Working Group

THE BAHAMAS FINANCIAL SERVICES BOARD

Congratulates



PAUL J.J. McTEENY
Managing Director,
Bank of the Bahamas International
EXECUTIVE OF THE YEAR



LISA DENISE GIBSON
Compliance Manager, MLRO
Ardachair (Bahamas) Limited
PROFESSIONAL OF THE YEAR



GERMAINE E. SIMMONS-DEAN
Service Assistant, Desk Europe
UBS (Bahamas) Limited
ACHIEVER OF THE YEAR



PHILIP B. STUBBS
Managing Partner,
Ernst & Young
MFSI "MINISTER'S AWARD"
2006



AISHA MELVINA JOHNSON
BSA - Banking & Finance
FINANCIAL SERVICES
STUDENT OF THE YEAR

FINANCIAL SERVICES DEVELOPMENT & PROMOTION AWARD



The Board of Directors and Members of BFSB join in paying tribute to these outstanding industry professionals, and to The College Of The Bahamas graduate recognised for stellar performance.

All are stars within the Financial Services Sector.

The Excellence Awards Programme is designed to recognise achievers in the Bahamian financial services industry for outstanding performance and contribution to the growth and development of the sector.

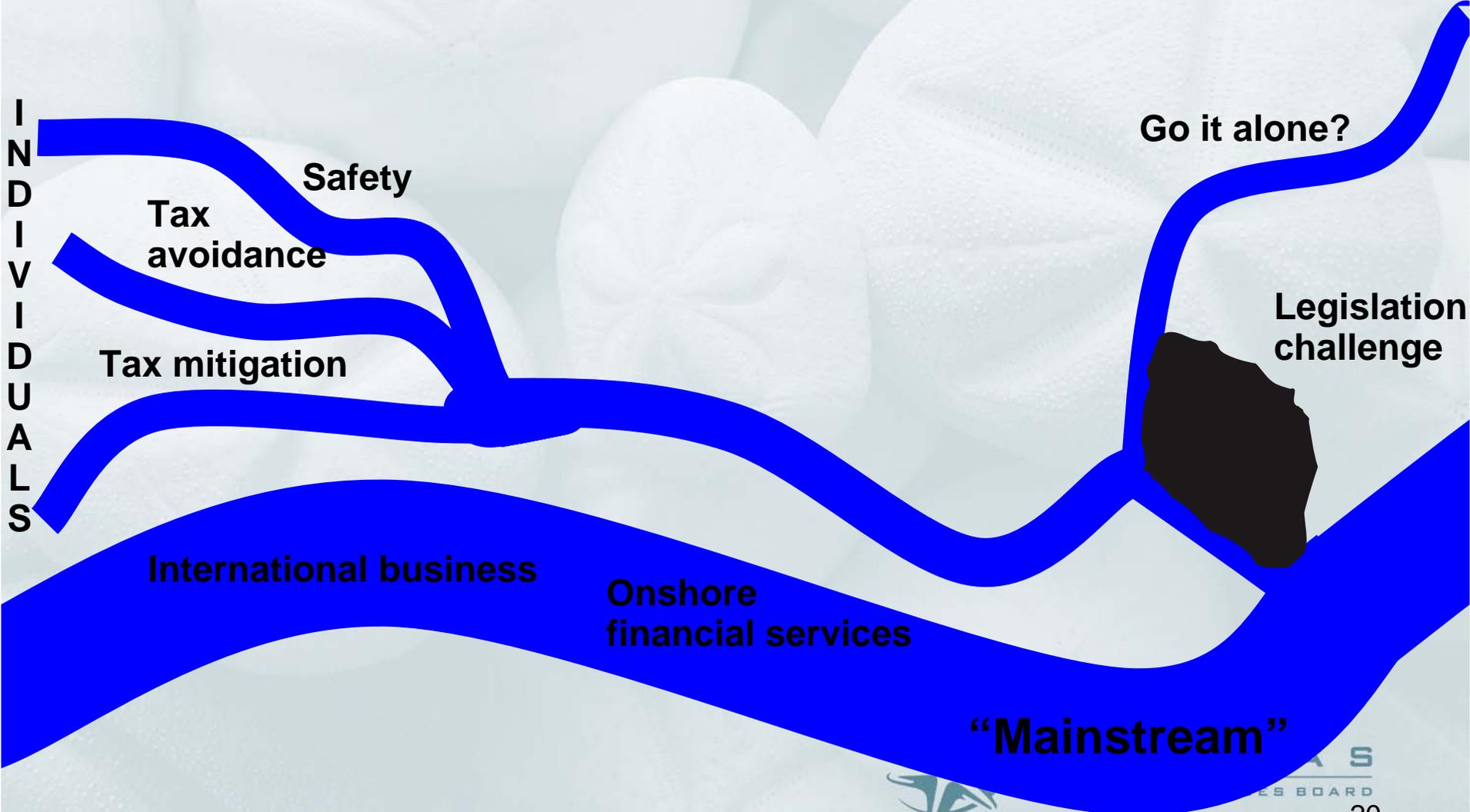


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The choice – join the mainstream or “go it alone”?

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Source: BFS Retreat PwC Presentation



GROWTH IS REQUIRED, STRATEGIC INITIATIVES REQUIRED

- Strategic Planning that involves a comprehensive review of market opportunities and competitiveness factors necessary for the development of the Bahamas IFC
- Essential Components
 - Trade
 - Skills
 - Regulation & Compliance



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THE WAY FORWARD

Jurisdiction Development

- Accelerate jurisdiction developments that attract and facilitate business
- Proactively develop a research-based comprehensive action plan that supports a sustainable future of the industry
- Through capacity building provide for an ongoing regeneration of Bahamas IFC to maintain a leadership brand in this highly competitive arena.

Brand Development

Domestic Outreach

- Improve community recognition of fundamental importance of the sector
- Engage all PPP participants in relevant and varied domestic outreach programmes

The Power of People



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