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**“WHERE DOES THE BAHAMAS GO FROM HERE?”**

REMARKS GIVEN BY  
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I am as convinced as I can be that The Bahamas is on the threshold of an entirely new period in its success as a developing center for the delivery of high quality financial services to a global industry, which increasingly requires, such services.

It is certainly true that we allowed ourselves to be blindsided by the recent efforts of the western world's principal countries, aimed at obliging us to significantly improve standards as to how business which takes place in and from in our jurisdiction should be conducted. This lapsus can be explained by two factors: (1) during recent years, our jurisdictions having done a good job at refining and polishing the experience developed from more than fifty years in the industry, had begun to feel itself safe and on a solid, sure path; and (2) we had not, in fact, invested sufficiently in regulations, and the public sector found itself significantly out bid by the private sector for the skills and experience required to guide and mould a rapidly growing sophisticated industry.

To be sure, there are mixed views regarding measures recently legislated by our government to determine how in the future we will conduct financial services in and from The Bahamas; we have had any number of

experts popping up to warn of the demise of our financial services business unless The Bahamas has, as some put it, “the guts to stand up for its sovereign right to determine it’s own standards, and simply say no to the developed countries.”

While this debate is necessary, and itself proof of the growing maturity of The Bahamas as a society in which all members who so-wish may play a part in shaping it’s policies and direction, those who hold this “The Bahamas which can so no” belief are, I think, wrong. Wrong on several counts:

Firstly, I think that for the most part, they are not fully aware of the extent to which our jurisdiction, as a large international business domicile, may in recent years have become perceived to be the target of sophisticated criminal financial activity. Our, until recently, strict adherence to the principle that we need not respond to any but the most fully established claims of criminal wrongdoing, in the face of this escalation (of negative perception), has certainly not helped to quell suspicion in some circles that maybe we are not as committed to fighting and resisting bad business as we have been claiming.

Secondly, I think that there is not a sufficiently informed appreciation as to how vulnerable an increasingly globally integrated economy and banking sector such

as ours is to influence from those who control or can exert significant pressures on the international financial system.

We should be clear that we are in a business, the sensitivity and mobility of which is such that: (a) its lifeblood, the international, that is to say dollar, payment system could be made, for all practical purposes, unavailable to it within weeks, and even days, and (b) any significant development which disturbs the ease of major institutions doing business from our jurisdiction, for example more than reasonable and relatively short-lived, concern on the part of home country authorities as to the acceptability of the activity of their institutions here, could result in the rapid relocation of business to other jurisdictions, only too willing to displace us in accommodating the share of this industry which we enjoy.

Of course, some worry that the medicine could turn out to be worse than the illness, and that these adopted improvements could in any event have the result of chasing a good portion of our business into the arms of suitors, who have not been quite as severe in the changes which they have implemented.

Well, I have already suggested that there is not a full appreciation as to the extent of the adjustment needed for The Bahamas to be convincing in its efforts to

address the problem, appropriately founded or not, which has beset us during these last six months.

The most important lesson which, I think, ladies and gentlemen, we should take from these recent experiences is that we need to be profoundly serious about this business of financial services if we intend to continue to be a participant in this industry.

What does this mean exactly?

Last Friday evening I was invited by the Board of the Deltec Organization to a dinner on the occasion of their annual meetings. Some of you would know that that organization, which has been in The Bahamas for more than forty years, was one of the originators of what became the international loan syndication market, in many ways the forerunner of today's international capital markets – a Bahamian institution.

It is interesting that despite our long experience in financial services and the pivotal role which some of our institutions, such as Deltec and others have played in shaping today's international financial services industry, The Bahamas today finds itself struggling to catch up and establish an international stock exchange which Luxemburg, Bermuda, Hong Kong and The Cayman Islands also, have successfully done: In the case of Hong Kong and Luxemburg the development of

the international exchange activity has thrived for almost forty years – since the Americans introduced a withholding tax in 1963; Bermuda and Cayman commenced serious development of their exchanges only during the last ten years, but have both made good progress towards establishing these important institutions.

I would suggest that if we in The Bahamas were serious about this business, we would not find ourselves playing catch-up to financial centers for whose very existence we could lay some claim – in the case of Bermuda, because we failed to understand the true implications of our offshore insurance sector policies in 1969, and in the case of Cayman Islands, probably to some extent because only four years later we were not able to satisfy many of our even well established banking institutions that they did not have to fear for their ability to continue to do business in and from an independent Bahamas.

If we are honest with ourselves, we would admit that we have probably never fully appreciated the extent of the commitment needed to facilitate the true potential of international financial services, and the role which this activity could play in the process of developing our economy and securing the economic well being of our people. I do not wish to minimize the significant contribution which this sector makes to our economy

and the role which it has and continues to play in supporting the above average quality of life which many Bahamians enjoy. But I am convinced that we have not nearly maximized the broad range of opportunities which this industry has presented.

We have, rather, accepted this industry as a lucky accident of location and circumstances, which we have certainly sought to protect, but have made no serious effort to develop except, I would argue, superficially.

- If we were serious about this business, we would by now have established, at a minimum, a few significant indigenous institutions which would be well on the way to becoming internationally recognized banking institutions;
- If we were serious about this business, we would have institutionalized the process of developing new industry products, rather than accepting to always mimic, sometimes not well, the ideas and successes of others – despite our being able to boast, legitimately, having excellent legal, accounting, banking and information systems talent in our jurisdiction;
- If we were serious about this business, we would recognize, like Singapore, the need to commit resources on the same basis as the private sector

to the administration, oversight and regulation of this business which, we now see, cannot exist viably without adequate shepharding by the public authorities.

- If we were serious about this business, we would not find ourselves grouped with start-up players; many of whom have no idea whatsoever about what this business is and the potential danger which they unleash on the industry as a result of accommodating criminals and irresponsible operators; some don't really care;
- If we were serious about this business, many of our own professionals, rather than pursuing the fast buck by selling our jurisdiction for the cost of administering an IBC, for whomever would pay, would subscribe to a rigorous code(s) of conduct for doing business instead of making avoidance of the rules and resistance to accepting proper standards of business conduct almost an art form in The Bahamas;
- If we were serious about this business, we would as a community support those policies which attract first class talent (including legal talent) from wherever it exists to The Bahamas, to assist in building our industry, rather than treating it as a

sacred entitlement of Bahamians only, to be exploited only, until it has nothing left to offer;

- If we were serious about this business, our legal profession, especially the major firms, would invest in the international representation and presence needed to facilitate the growth and development of our business, or let others do the job.
- Finally, if we were serious about this business, we would even now be taking a more comprehensive and proactive approach to the technical training and development of our financial services human resources, and provide Institutions such as the Bahamas Institute of Bankers with the resources required to produce more of the trained people our industry needs.

I think that it should be clear, ladies and gentlemen, that I, for one, feel that the time has come for the stakeholders of our industry to consider a new approach; and the time is right!

- This is the beginning of a new decade;
- Our jurisdiction is in any event engaged in extensive policy realignment in the sector;

- The world economy and international financial services industry are undergoing rapid change and development, much of which we could benefit from, and
- The Bahamas is still seen, and I think could increasingly be seen, as potentially one of the major international financial centers of this new century.

These are not issues for only the Government or the industry or others alone to solve, they will need a broadly accepted approach, which will require planning, resources and time to realize.

If we for a moment place ourselves back to June last year, at the time of the announcement of the three principal G.7. Initiatives, I would say that the challenge for The Bahamas could have been seen as comprising three phases:

- (1) A review and revamping of policy – which I think we would agree the Government has largely delivered on over the insueing six months;
- (2) A convincing implementation of those new policies, and removal of the Bahamas from the blacklists; this will require active cooperation between the private sector and the authorities if it is to be successful, and could lead, perhaps

over a similar timeframe to removal from the two principal lists, and finally

- (3) The emergence of a new thrust in Bahamian international financial services, based on policies and practices shaped largely by the above “get serious” list.

The time has come for The Bahamas to reassert its position as one of the leaders in this business, not following but imposing innovative ideas on an industry which is still hungry for a true leader.

We should not allow ourselves to be persuaded by those who say that we need do only enough to be delisted, for fear of becoming anti-competitive. While our policies must always maintain a sharp eye on commercial considerations, we should continue to remind ourselves that the truly worthwhile business will almost always select quality over price.