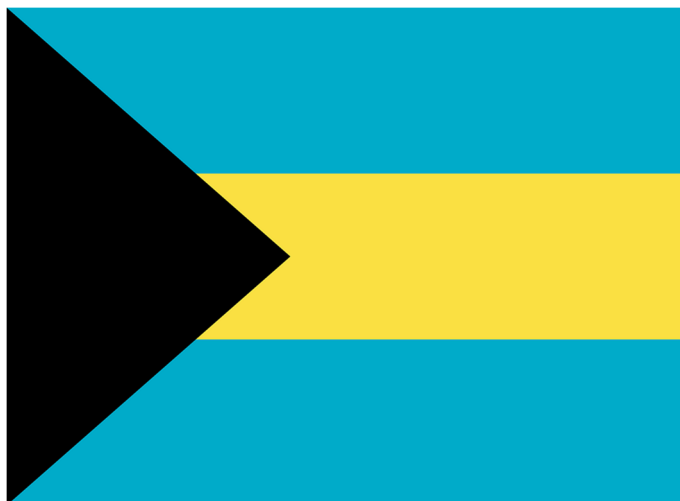


The Bahamas: A crypto crossword?

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The Bahamas have never quite scaled the offshore tax-haven heights (or should that be, plumbed the depths) of fellow Caribbean nations such as Bermuda, Panama or the BVI, although it is certainly known to be such – cited last year by an EU-funded body as a key haven for European banks. However, there are signs that the Bahamas is actively attempting to change this perception, although it is by no means certain that the chosen replacement will be any better.



First, the good news: The Bahamas were removed from the EU's anti-money laundering 'blacklist' in January 2022 after almost two years, with acknowledgement made that Nassau has taken solid steps to improve its AML practices and adopt a stricter approach to scrutinising both the originators of funds and their stated purposes. In an industry that all too often relies on total opacity, this is something that needs to be applauded even if it is only bringing things up to a baseline. However, this is where the positivity ends. While the Bahamas have accepted failings in this particular industry, it neither excuses the prevalence of that industry in the first place which hardly paints the islands in the best corporate light; nor does it indicate a wider degree of addressing problems across the Bahamas' political and economic spheres. For instance, there remains no independent body to consider cases of alleged corruption and, with the judicial system moving extremely slowly (and not immune to influence or bribery) this leaves a capability gap of keeping on top of corruption. The Organisation for Responsible Governance has also warned against the country resting on its laurels after ranking 30th in the latest Transparency Index (just two places below the USA, which has consistently criticised the Bahamas for its own corruption), suggesting not only that petty, small-scale bribery & corruption which predominates in the islands across business and politics at all levels is not given comparative weighting in such surveys and thus skewing the real picture, but that the stagnation of rankings over the past five years suggests that any broad-scale progress is at a snail's pace at best.

Worse may be to follow. The Bahamas is actively pursuing cryptocurrency as the next step in its economic evolution, with the Prime Minister Philip Davies describing his desire to see his country as 'the leading

digital asset hub in the Caribbean'. A recent symposium on the subject saw political luminaries Bill Clinton and Tony Blair in attendance, and a four-year plan has been put forward that will allow Bahamians to pay their taxes in cryptocurrency and to establish a national digital currency, the 'sand dollar'. One can see why crypto firms would enjoy an environment that is low-tax and loose-regulation, and why the Bahamas feels the need to diversify. However, it speaks to a major judgement call concern on the part of the government: even putting aside the current 'crypto crash' that has seen some asset plunge 45% in value in a matter of days, there are long-standing concerns about the degree to which the entire industry is a pyramid scheme or scam in itself, and pinning hopes on such a risk for economic advancement is a foolhardy move to say the least. Given that the Bahamian environment is already somewhat permissive to fraud and the possibility of the same, investors in Nassau might not be faced with much organized crime but they will be faced by pervasive corruption that will only be enhanced by new technologies – and the complacency of the government.

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