



**REMARKS BY**  
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**FOR THE CENTREVILLE CONSTITUENCY**  
**ON NEW COMPREHENSIVE GAMING LEGISLATION**

**SEPTEMBER 15, 2014**

Mr. Speaker,

It gives me great pleasure to address Parliament on the Gaming Bill, 2014, Gaming Regulations, 2014, Gaming House Operator Regulations, 2014, Financial Transactions Reporting (Amendment) Bill, 2014, Financial Transactions (Gaming Exemptions) Regulations, 2014, and the Proceeds of Crime (Amendment) Bill, 2014, which signal the dawn of a new era in the licensing and regulation of gaming in The Bahamas.

This promises to be an era in which, with the necessary commitment and hard work, The Bahamas establishes itself as a cutting-edge and thoroughly modern gaming jurisdiction, operating in accordance with international standards of best practice, underpinned by robust legislation and careful and comprehensive regulation.

The newly tabled legislation is the product of many months of unstinting effort, careful consideration and focused dialogue with stakeholders, regulators, relevant local and international authorities, social, religious and other relevant parties. Throughout this process, the overriding objective of my Government has been to modernise the licensing and regulatory dispensation in relation to gaming in The Bahamas, ensuring its vibrancy, attractiveness and competitiveness in an increasingly demanding global market, and thereby enhancing its capacity to generate revenue and to stimulate the growth of the economy.

The objective of the Government has also been to ensure that The Bahamas as a gaming jurisdiction would engender public confidence in the integrity of the operations authorised by gaming-related licences, through the enactment of world-

class legislation incorporating all the detailed controls needed to ensure fair play, compliance with prevailing international standards and the insulation of the industry from criminal and corruptive elements. We are proud to say that the legislative instruments tabled indeed comply with all these critical requirements and more.

Mr. Speaker,

As part of the Government's agenda in developing this legislation has been its commitment towards the goal of achieving a careful and sustainable balance between a range of well-documented, competing views in relation to gaming in The Bahamas. This has required mature reflection and frank discourse regarding the forms of gaming which have taken root in the domestic market in The Bahamas over the years, and the manifold implications of permitting these to continue in an unregulated environment. In this regard, the Government must remain acutely alive to its international obligations, to which I will refer in greater detail later, as well as the preservation of its standing as a well-respected, globally responsible and compliant jurisdiction.

Accordingly, the emphasis has fallen squarely on striving to carve out a path which will best serve the interests of The Bahamas and its people. These interests are incontestably served by the enactment of legislation which creates a predictable, law-abiding and socially responsible environment for the conduct of all forms of gaming in The Bahamas, while at the same time harnessing the enormous strides which have been made in technology to enable operators in The Bahamas to offer widely sought-after, cutting edge products that are poised to transform The Bahamas into a leading gaming jurisdiction on the global stage. This is set to enhance the revenue-generation potential of the gaming industry and to act as a springboard for vital economic growth in our country.

The interests of The Bahamas and its people are likewise served by ensuring that our gaming legislation withstands even the most rigorous scrutiny, by incorporating all the internationally-mandated controls required to insulate it from money-laundering and terrorist-related activities.

Mr. Speaker,

I am confident that the gaming legislation tabled in Parliament comfortably meets, and in some respects even surpasses, all of these demanding criteria. No effort has been spared to ensure that this is indeed the case. The Gaming Bill itself encapsulates all of the key policy positions adopted by the Government in relation to the licensing and regulation of gaming in The Bahamas.

Its purpose is to put in place a solid and predictable legal framework for the comprehensive, modern, transparent licensing and regulation of all gaming sectors in The Bahamas in a manner which protects the integrity of the industry and engenders public trust.

The most fundamental cornerstone of any credible gaming dispensation anywhere in the world can be distilled into a single word. That word is "probity". Probity focuses on establishing that any given person who seeks to be involved in the gaming industry, whether as a regulator or as a licence holder, is fit and proper to do so, and moreover remains fit and proper on an ongoing basis. The currency of probity is therefore information concerning the relevant individual, ranging from information regarding the personal history of that person, or business history, where that person is a corporate entity, to information relating to the financial history, capacity and dealings of that person, as well as criminal history and associations with other persons. As a means of ensuring that prospective participants in the gaming industry can be relied upon to manage their gaming operations in a manner which is fair and honest and complies with the requirements of the law, the Gaming Bill empowers the Gaming Board to conduct comprehensive probity investigations into applicants for licences and certificates of suitability against the qualification criteria set forth in the legislation. The licence application process therefore involves the disclosure of wide-ranging and extremely sensitive personal and financial information about the person applying for the licence. Furthermore, the obligation to disclose this information extends to all persons holding stipulated levels of financial interest in the prospective licence holder, which is generally set at a threshold of five percent.

Mr. Speaker,

It follows that, in the performance of its statutory mandate, the regulator and its staff will become privy to extensive information regarding applicants and licence holders which is both sensitive and proprietary in nature. Accordingly, it is equally important to ensure that the custodians of this information should meet appropriate standards of personal probity, and will respect and maintain the confidentiality of the information at their disposal.

In accordance with these objectives, the Gaming Bill provides for the continuation of the existing Gaming Board for The Bahamas, and sets forth detailed qualification criteria for membership of the Board. Similar criteria are provided for in respect of the personnel of the Board. The purpose of these criteria is to ensure that members of the Gaming Board and its staff comply with the highest possible standards of personal probity and integrity, taking into account the extensive powers which the Bill confers upon them, not only in the context of investigation and licensing, but also in the conduct of their regulatory functions throughout the currency of any licence.

Mr. Speaker,

Once the appropriate assurances have been obtained regarding the probity of industry stakeholders, it is equally important to ensure that the gaming dispensation makes provision for a predictable and stable environment within which licence holders are able to function. The Gaming Bill therefore lists with considerable particularity the powers of the Gaming Board and the Minister responsible for the administration of the gaming portfolio in the context of licensing and the ongoing regulation of the industry. In the context of operator licences, the licensing process

has been carefully devised to make provision for the initial conduct of comprehensive probity investigations by the Gaming Board, supplemented by a public participation process, which may include public hearings, and the preparation of a report to be submitted to the Minister. Such a report will set forth the identifying particulars of the applicant, the nature of the licence applied for, the nature of, and the findings made in respect of, any objections or comments submitted in respect of the application, the nature and outcome of any investigation performed, and, where applicable, any hearing conducted, in relation to the application.

The thrust of the report submitted to the Minister by the Gaming Board is required to cover specific critical areas, including –

- whether the funding of the business for which the licence is required is provided by a reputable person, body or institution;
- where applicable, whether the premises to be used for the conduct of the licensed activities are, or will on completion, be suitable for the conduct of gaming activities;
- whether the applicant has, in the application form submitted to the Board, made full and frank disclosure of all matters required therein or otherwise prescribed;
- that the grant of the licence is not against the public interest and is in accordance with the policy and objectives of the Act; and
- that the applicant qualifies for the licence under the Act and is not disqualified for such licence under any of the provisions thereof.

Mr. Speaker,

Prior to submitting a recommendation to the Minister regarding any licence application, the Gaming Board is required formally to raise any concern which its investigation may have revealed concerning the issue of whether the applicant qualifies for the relevant licence with the applicant concerned, and to suspend its final consideration of the application until such time as the required information has been procured. In this manner, the application process is rendered as administratively fair and transparent as possible. Similar consultative and transparent measures have been built into the imposition of the conditions to which licences are to be subject.

Moreover, once the Minister has been placed in possession of the report by the Gaming Board, he may similarly request further information regarding any aspect of the application, with a view to satisfying himself as to whether the licence applied for should be granted or refused. In such a case, the Minister may likewise suspend his final consideration of the application pending the receipt of the information required. Once the Minister has reached a decision to grant the application, a further consultative process is held with the applicant regarding the conditions to which the licence should be made subject. These detailed provisions have been specifically crafted to ensure that each application is considered as comprehensively as possible, providing for dual levels of scrutiny, by the Gaming Board, in the first instance, and the Minister, in the second, and moreover to ensure

that no decision is taken other than by way of a transparent, legally defensible and administratively fair process. It is my considered view that this mandatory approval process for which the Gaming Bill makes provision in the context of operator licences (as well as a number of certificates of suitability) is among its major strengths, inasmuch as it promotes open, accessible, comprehensive and fair decision-making, supplemented by consultative measures which are peremptory rather than discretionary.

Mr. Speaker,

Over and above creating certainty regarding the qualification criteria for licensing, it is also a vital ingredient of a stable gaming jurisdiction that the legislation governing gaming should spell out, with appropriate levels of clarity and precision, the specific conduct authorised under each licence and the operational parameters within which such conduct may be pursued. Put differently, the expectations of the Government regarding the manner in which, and the framework within which, licensed operations are to be conducted should be clearly and specifically articulated in the legislation. Licensed operators must know beyond a shadow of a doubt what is permitted and what is prescribed, so that they may tailor their operations in accordance with these requirements. Second to probity, which is an indispensable precursor to the award of a licence, the next most powerful watchword in the licensed gaming industry is without a doubt: "compliance".

If compliance with the requirements of the applicable legislation is not secured and maintained throughout the currency of a licence, the licence is jeopardised, and may be suspended or even revoked in its entirety under the Gaming Bill. These are powerful and significant measures with enormous implications for licence holders, not only in the context of their licensed operations in The Bahamas, but indeed from a global perspective. Therefore, it is imperative that the gaming legislation should contain detailed, carefully formulated and unambiguous compliance-related requirements.

The Gaming Bill and the proposed Regulations which have been tabled have been crafted to respond to these requirements in the most comprehensive manner possible. In the first instance, the Gaming Bill sets forth in detail the activities to be authorised under each category of licence for which it provides. In addition, provision has been made for the enactment of Regulations by the Minister and the making of operational Rules by the Gaming Board itself. The Regulations and Rules deal with the nuts and bolts of the day-to-day operation of licensed activities on every level. The approach adopted in the formulation of the Gaming Regulations and the Gaming House Operator Regulations was to identify the key operational areas which would pose risks in the context of ensuring the integrity and legality of licensed operations, and to put in place specific procedural and operational requirements to be adhered to so as to enable the efficient and reliable management of these risks. I would like to focus on one such area, which has been of decisive significance to my Government in its approach to the modernisation of the licensing and regulatory dispensation in The Bahamas.

Mr. Speaker,

With the benefits of modernisation resulting from the recent explosion of technological solutions and the inevitable impact which this has on the array of gaming products which are becoming available, as well as the means by which they can be made available, come unique challenges which must be thoughtfully and comprehensively addressed in the formulation of gaming policy. This is nowhere better illustrated than in the context of gaming made available by means of communications technology, and accessed by means of the Internet. Gaming over the Internet poses a plethora of particular risks. These risks originate in the non-face-to-face nature of the gaming transactions conducted and the borderless nature of the Internet, and the huge scope which these realities leave open for money laundering and activities related to terrorism, as well as potential contraventions of the laws of other countries which prohibit their citizens from engaging in interactive gaming with offshore service providers, whether or not they are licensed. As a result, it must be high on the agenda of every responsible government contemplating the licensing of interactive gaming in any form, to ensure that these pervasive risks have been comprehensively addressed in a manner which complies with the international obligations of that government.

The Government of The Bahamas is no exception, and has, from the outset, been acutely conscious of its responsibility to ensure that the legislation proposed to be enacted in the context of interactive gaming is in compliance with standards of international best practice and will not actually or potentially facilitate any violation of the gaming laws of any other jurisdiction.

Mr. Speaker,

As all Bahamians fully appreciate, The Bahamas is closely integrated into the world community and our standing in that community is critical to our prosperity and our standard of living. The Government has worked diligently over the past several years to strengthen and secure the international reputation of our country, especially as it relates to our vital financial services industry. Through our ongoing actions, it is of paramount importance that we persevere in the protection of our solid reputation as to compliance with standards of international best practice in the area of financial services regulation and the effective mitigation of risks.

All nations are under the global microscope that strives to ensure multilateral compliance with proper financial regulatory standards and the avoidance of risks. In that context, the international community is also placing a heightened focus on casinos and gaming as it looks to cause countries to clamp down on the potential for money laundering and related financial crimes, including the financing of terrorism. International standards have been developed and agreed and states are regularly being subjected to peer reviews and assessments to determine their level of compliance with those standards, the risks that present themselves and the measures that are being taken to mitigate those risks.

The Bahamas is no exception in this regard and the eyes of the world community are clearly upon us. Within the Organization of American States, there exists a Committee of Experts for the Mechanism for Follow-Up on the Implementation of the Inter-American Convention Against Corruption. That Committee will be making an onsite evaluation of The Bahamas over the period September 23 to 25, 2014 to determine our level of compliance with the provisions of that convention. The Deputy Director of Public Prosecutions is a member of the Committee of Experts and he will participate in the forthcoming examination of Antigua which will take place in October of this year.

As well, the Caribbean Financial Action Task Force has taken a particular interest in the area of gaming. The Bahamas has played an active role in this body and we assumed the Chairmanship under the leadership of the Attorney General. Our country will be undergoing a full National Risk Assessment (NRA) in November of next year to assess our degree of compliance with the requirements of the Financial Action Task Force. This assessment is a starting point for identifying areas of risk. The operations of the webshops will be scrutinized in this context, as the world community is fully aware of this informal sector that generates sizeable sums of money on a daily basis.

Mr. Speaker,

My Government pledged to hold a national referendum on the webshops in its Charter for Governance. We were faithful to that pledge and, following the referendum, we ordered the closure of all webshops. This was followed by legal action by the webshops. One should have no illusion that the world community did not take note of these developments. In the circumstances and, given the need to secure the valuable international reputation of our nation, the only responsible thing to do is to place the webshops within the ambit of a responsible and effective regulatory regime. The Government simply has had no choice in this matter. That reality was clearly recognized by our predecessors as well and all will know that they were well along the path of developing a legal and regulatory framework for the webshops prior to the last election.

Were we to ignore this matter, the international community would respond and it is likely that a pall would be cast over The Bahamas as a place to do business. If the Caribbean FATF were to come to negative conclusions as to our regulatory regime and the risks that it entails, there could be a very serious fallout and quite dire consequences indeed for our national economic prosperity.

Mr. Speaker,

The Governor of the Central Bank has also voiced her concerns about the unregulated operations of the webshops, not only in terms of our compliance with international requirements but also as to their nefarious impacts on the domestic financial system, through informal and unregulated lending activities. Our commercial banks have also taken a prudent approach to dealings with the webshops, which is fully understandable in light of the international constraints within which they operate.

All of this to say that the formalization and regulation of webshop operations is the only viable and realistic policy option that is available to the Government. Doing so in a transparent and stringent manner will ensure that we continue to meet international prudential requirements and solidify our reputation in the global community. The vitality of our economy depends on that, as do jobs for Bahamian and our standard of living.

Mr. Speaker,

My Government has gone to great lengths to engage in appropriately extensive consultation with a wide range of regulatory bodies, as well as private sector interests, in order to ensure that the proposed legislation will pass muster at every level. Headed up by the Attorney-General, intensive consultations have been held with the Financial Action Task Force aimed at ensuring compliance with the 40 Recommendations of the FATF, while at the domestic level, fruitful and informative engagements have been held with representatives of the Central Bank of The Bahamas and the Financial Intelligence Centre, all of which have greatly assisted the Government in crystallising the key requirements with which the legislation should comply. Furthermore, consultations with clearing banks in The Bahamas are ongoing, with the aim of ensuring the acceptance of the proceeds of licensed and regulated forms of interactive gaming. In addition, extensive research, supplemented by a benchmarking exercise, has been conducted regarding the approach adopted in other jurisdictions in relation to the licensing and regulation of interactive gaming.

The above research has revealed that the risks of money laundering and terrorist financing are regarded as being effectively decreased when interactive gaming is appropriately regulated, and more particularly where –

- special purpose accounts are registered for players for the conduct of interactive gaming transactions and all payments to and from such accounts;
- players are precluded from registering more than one such account;
- interactive operators are required to maintain a separation between funds belonging to players and their own funds;
- appropriate Know Your Customer (or “KYC”) procedures are adhered to when the player is registered and the account is established, including appropriate verification procedures, and
- inter-account transfers are restricted or prohibited.

Mr. Speaker,

The proposed legislation for The Bahamas contains all the above controls, significantly limiting the potential for interactive gaming to be used as a vehicle for



money laundering or terrorist financing. Licensed operators are required to comply with a range of stringent measures in this regard, including –

- the verification of *inter alia* the identity, age and place of residence of a patron before registering an account for or entering into any gaming transaction with such player;
- ensuring ongoing compliance with the requirements of the Financial Transactions Reporting Act and all Regulations made thereunder, the Financial Intelligence Unit Act and all Regulations made thereunder, the Proceeds of Crime Act, as well as all other legislation in force in The Bahamas relating to the prevention and detection of money-laundering and counter-terrorist financing;
- compliance with the requirements of the proposed legislation relating to prohibited transactions, in terms of which licence holders may not, for example, exchange cash for cash other than in particular circumstances, may not issue cheques or other negotiable instruments or effect the transfer of funds to a player, unless the licence holder has satisfied itself that the player has become legally entitled to such funds as a direct result of participation in gaming, and may not permit the transfer of funds from one player account into another player account;
- the obligation to report all transactions falling above the prescribed monetary thresholds;
- the obligation to report suspicious transactions, including transactions which are unusual or for which there is no reasonable explanation or which the licence holder knows or on reasonable grounds suspects have been entered into with a view to avoiding or circumventing the applicable threshold reporting requirements.

Mr. Speaker,

The Government has left no stone unturned to ensure that each and every legislative measure potentially at its disposal to combat the potential for money-laundering and terrorist financing is incorporated into the legislative dispensation to be put in place in relation to all forms of interactive gaming to be made available in The Bahamas. This has resulted in the formulation of the proposed Financial Transactions Reporting Bill, the proposed Financial Transactions Reporting (Gaming) Regulations and the Proceeds of Crime (Amendment) Bill. The various measures provided for in these legislative instruments collectively strengthen the hand of the Government in ensuring that decisive, ongoing action is taken to ensure the detection and prevention of money-laundering and terrorist financing.

Moreover, and equally importantly, the Government's ability to respond to unlawful activities which have been detected in the context of interactive gaming will be considerably enhanced by the proposed expansion of the definition of the proceeds of crime to include, not merely cash, but also any other personal property. In addition, an offence under the Gaming Act will now be listed in the Schedule to the Proceeds of Crime Act, thereby enabling confiscation orders to be made in relation to all cash and personal property obtained from the commission of such an offence.

Mr. Speaker,

These provisions are furthermore complemented by the provisions of the Gaming Bill dealing with the criminal forfeiture of money or its equivalent, gaming and related equipment and any other property used in the commission of an offence under the Gaming Act. In addition, the Bill makes provision for application to be made by the Attorney-General for a civil forfeiture order in relation to any such property, in circumstances where the Court is satisfied, on a balance of probabilities, that such an offence has been committed, irrespective of whether the alleged offender has been charged or convicted of such an offence.

In short, the battery of legislative measures to be introduced provides compelling evidence of the commitment of the Government to use every means at its disposal, not only to combat unlawful activities, but to put in place significant punitive measures with a view to providing the necessary level of deterrence.

In addition, in the context of the regularisation of web-shop activities, the restriction of participation in the online market to persons who have been properly identified by the holder of a gaming house operator licence on a face-to-face basis (substantiated by valid documentary proof) will provide substantial additional assurances in this regard.

Accepting that a stable and credible gaming jurisdiction is one in which the applicable laws are clear, consistent, and decisively and appropriately enforced, I would pause to shed further light on the Government's rationale for the licensing and regulation of the web-shop industry.

Mr. Speaker,

As I stated recently during the last Budget debate, my Government's position on the regularization of web shop gaming has evolved as a result of certain realities which have emerged, following the outcome of the Referendum on this issue. It is misleading and most unfortunate to suggest that the Government in proceeding with the regularization of web shop gaming, is being undemocratic and ignoring the outcome of the low turnout of registered voters in the consultative, non-binding Referendum. As explained to religious leaders and others whose views, advice and counsel I greatly respect, the economic, social, law and order, national interest and international obligation realities which have developed, make it absolutely necessary and the right thing for the Government to regularize web shop gaming in the manner being proposed. Let me also remind the Opposition that the initial measures in the institution of this process were taken by the previous FNM administration, but delayed by the General Elections. My Government has been careful to proceed carefully and cautiously to bring about the best possible result for the benefit of the Bahamian people in this process, in keeping with international best practices.

Mr. Speaker,

The proposed framework for the licensing and regulation of the web shops will provide very clear economic and financial benefits to our nation. In the circumstances, this is the right thing for the Government to do.

It goes without saying that the fundamental strength and health of our domestic financial services sector is crucial to underpinning the more buoyant expansion of our economy and the creation of jobs for Bahamians. However, we have seen clear evidence in recent times of the unregulated web shops becoming increasingly involved in mortgage and consumer lending as well as the money transmission business. That, in turn, has given rise to growing concerns as to the ultimate impact of such activities on the legitimate financial services sector.

In addition, by their very nature, such unregulated financial activities pose very real risks to the financial welfare of the general public. Bahamian consumers are currently afforded considerable protection under the prudential regulatory and legislative framework that governs the practices of the commercial banking sector. No such consumer protection exists in respect of mortgages and loans taken out with the web shops.

Perpetuating the illegality of the web shop operations would simply drive the industry underground and further jeopardize the integrity of our financial sector and the protection of our citizens. By licensing and appropriately regulating the web shops, we can, on one hand, address these very critical economic and social concerns and, on the other hand, secure a significant source of revenue for the Government in the form of license fees and gaming taxes.

Mr. Speaker,

It has become increasingly apparent to the Government that there is a need to regularise, to right-size and to rationalise the web-shop industry in The Bahamas, which in the past has not been licensed or regulated. This need arises firstly from the fact that there is an established public demand, within The Bahamas, for the services offered by this industry, which can no longer feasibly be reconciled with the overall prohibition of participation in this form of gaming by persons living or working in The Bahamas. Moreover, the nature of the services offered by the industry, in particular its online offering, poses a range of particular risks, which have been highlighted earlier, and which can only be effectively addressed through a licensing and regulatory regime which is both legally enforceable and specifically tailored to meet the prevailing international standards of best practice in the context of the prevention of money laundering and terrorist financing.

In addition, operations of this nature have proliferated in the country especially over the last several years and during much of the period of the previous administration, making it imperative to ensure that the socio-economic impact of these activities is appropriately monitored and controlled through a credible licensing and regulatory dispensation. The licensing of the individual premises on which the activities authorised by a gaming house operator licence are conducted will put in place a reliable and enforceable mechanism to ensure that only premises which are suitable for the conduct of activities of this nature are in fact utilised for operations

of this nature, as well as ensuring that the potential for negative socio-economic impact is appropriately contained.

Mr. Speaker,

There is also a need to ensure that operations of this nature will at all times be owned exclusively by Bahamian citizens. The licensing and regulation of these activities will enable the Gaming Board to monitor and the Minister to approve the corporate ownership structure of licence holders, as well as the procurement of financial interests in such licence holders.

Furthermore, it is recognised that, if it is appropriately licensed and regulated, the gaming house industry has the potential to provide a highly effective vehicle for the achievement of a number of significant gains for the people of The Bahamas. Accordingly, the licensing process presents the opportunity to stipulate minimum criteria with which licence applications must comply, to provide a broad indication regarding the nature of the community benefits expected to be realised, and to invite prospective applicants to respond to these requirements in a manner which is compatible with their own business model and vision. Applicants for gaming house licences are expected to achieve this by demonstrating compliance with certain minimum requirements, which will be stipulated in a Request for Proposal document to be issued by the Gaming Board, inviting applications for gaming house operator and gaming house premises licences. These minimum requirements will include ongoing contributions, which will be linked to the revenue generated from gaming operations throughout the duration of the licence, towards corporate social investment projects in The Bahamas, as well as towards other good causes, including initiatives or projects –

- to promote, sustain or further develop educational facilities or opportunities in The Bahamas;
- for the benefit of charitable or social causes in The Bahamas;
- to support or further develop health care facilities in The Bahamas;
- to enhance or improve public parks, beaches, botanical gardens and green spaces throughout The Bahamas, and
- to promote sports, arts and culture in The Bahamas.

Applicants for gaming house operator licences will further be expected to include specific undertakings in their bids regarding the various evaluation criteria, on the basis that if the licences applied for are granted, such undertakings will be incorporated into the conditions to be attached to the licences in question. Compliance with these conditions will be monitored and enforced by the Gaming Board on an ongoing basis.

Mr. Speaker,

The operations of the licensed gaming house industry will be closely monitored and regulated, enabling the Gaming Board to ensure that:

- licence holders at all times ensure strict compliance with the provisions of the Act and all subordinate legislation made thereunder, the conditions of their licences, the requirements of their approved internal control systems and the provisions of all applicable legislation relating to money laundering and terrorist financing;
- the prohibition on the participation in gambling activities by persons under the age of eighteen years will be actively enforced;
- social, geographical and, where applicable, religious, considerations will be taken into account in evaluating applications for Premises Licences and determining whether such Licences should be awarded;
- licensed gambling activities in The Bahamas will be conducted in a socially responsible manner;
- premises in or on which gaming house operations are to be conducted will be adequately secured and provide easy access for Board inspections; and
- gaming taxes will be accurately and timeously paid.

The regularisation of the web-shop industry will also play a major role in entrenching in The Bahamas a gaming dispensation in which there is complete clarity as to which conduct is legal and which is illegal and in which the rule of law holds sway. This will not only bolster the image of The Bahamas as a jurisdiction which offers a clear-cut legislative environment for the conduct of all types of gaming activity, but will be of enormous benefit to its people.

In short, the issue of gaming house operator licences to operators who have been found to be fit and proper for licensing, and of gaming house premises licence in respect of premises which are suitable for the conduct of these operations, will enable the public to ensure that they too, do not fall foul of the law by patronising unlicensed establishments. The required display of licences on all licensed premises will similarly play a key role in the context of law enforcement, enabling the Royal Bahamas Police Force to identify unlicensed operations with ease and to take decisive action when the law is breached.

Mr. Speaker,

In taking the decision to regularise the web-shop industry, the Government has been acutely aware of the need to ensure as seamless a transition as possible from operations which did not fall within the ambit of the law, to operations which are appropriately licensed and regulated. It has also been mindful of the many employment opportunities generated by the web-shop industry, believed to number

of around 3,000 persons, and therefore of the need to preserve the continuity of the industry to the greatest extent possible. In a regulated environment it is reasonably expected that jobs could increase and employees would enjoy better benefits and security of tenure.

Mr. Speaker,

Detailed provisions have been painstakingly drafted, which make provision for a transitional period, during which existing web-shop operators may elect to continue their operations, pending the grant of gaming house operator and gaming house premises licences, for the duration of the transitional period, subject to full compliance with various conditions. These conditions require the operators in question –

- to make full and frank disclosure of the revenues generated by their operations in the past;
- to pay all fees that would have been due under the Business Licence Act for up to six years depending upon the amount of time these businesses have been in operation, based on those revenues;
- for a period commencing on 1 July 2014, to make payment of all gaming taxes which would have been payable under the Gaming Act had the business in question been licensed under the Act, until the date on which the transitional period ends;
- to pay a penalty, linked to the gross turnover of the business concerned, in lieu of the gaming taxes which would have been payable had the business in question been licensed under the Act; and
- equally importantly, to cease the operation of the business on the date on which the transitional period ends.

Mr. Speaker,

In addition, web-shop operators who wish to continue the operation of their businesses will be required, within 14 days of the coming into operation of the Gaming Act, to provide a sworn affidavit to the Secretary of the Gaming Board, in which they identify the premises operated by them, and those whose operation they wish to continue during the transitional period, while web-shop owners who choose to cease the operation of some or all of their businesses during the transitional period will also be required to depose to an affidavit to this effect, which must similarly be served on the Secretary of the Gaming Board within 14 days of the coming into operation of the Gaming Act. The closure of all such premises will have to be effected within 15 days of the coming into operation of the Gaming Act. This will enable the Gaming Board to have a clear and conclusive picture, within two weeks of the coming into operation of the legislation, as to which businesses have elected to close, and which have chosen to remain operational. Any business which has elected to close, or which has not notified the Secretary of the Gaming Board of

its intention to remain operational in the manner required, will be deemed to have elected to cease operations during the transitional period, and will have to be closed on the 15<sup>th</sup> day following the coming into operation of the Gaming Act.

This detailed procedure has been designed in such a manner as to ensure that all governmental agencies, including the Royal Bahamas Police Force and the Gaming Board, are aware, from the outset, of the number and identifying particulars of the premises which are to remain operational during the transitional period, and which are required to close. This will in turn enable the Royal Bahamas Police Force to police gaming and related activities during the transitional period in a manner which is incontestable in its clarity; based as it is on information supplied under oath by the operators of such businesses. Businesses which have not, under oath, declared their intention to remain operational during the transitional period will be subject to summary closure, if they have not closed already, and those which have signalled their intention to remain in operation will be insulated from prosecution, until such time as the transitional period has ended.

Mr. Speaker,

All the provisions of the Gaming Bill and the proposed subordinate legislation have enjoyed the same attention to detail as is the case in respect of the transitional provisions.

Furthermore, having regard to the fact that the proposed legislation is set to usher in the dawn of regulated gaming in The Bahamas by its citizens and residents, the Government has been particularly conscious of its duty to ensure that gaming will be conducted within a socially responsible framework. Accordingly, the Gaming Bill provides for the imposition of licence conditions which may require monetary contributions by licence holders towards the establishment of a co-ordinated programme to promote responsible gaming in The Bahamas. The envisaged programme will make provision for –

- public education regarding the phenomenon of problem gaming;
- accessible counselling facilities for persons affected by problem gaming;
- appropriate treatment interventions for persons affected by problem gaming; and
- the conduct of research regarding the impact of legalised gaming and the prevalence of problem gaming in The Bahamas.

The Government envisages that the Responsible Gaming Programme should be funded primarily by the licensed gaming industry and should take the form of a private/public sector partnership, operating under the oversight and supervision of a Foundation comprising a board of directors on which both regulators and representatives of the gaming industry are represented.

Mr. Speaker,

In the context of public awareness and prevention, the Programme will focus on the implementation of a range of proactive measures informing the public about the potential dangers of gaming, the nature of gaming addiction and the symptoms of problem gaming. These would include –

- Advertising campaigns, in various forms of the media;
- Informational pamphlets, exposing and dispelling the various myths concerning gaming, and providing detailed information regarding the phenomenon of problem gaming and where to get help, which will be required to be made available on licensed premises;
- Mandatory signage at all entrances to designated gaming areas and the prominent display of contact information in respect of the Programme in the gaming environment.

Mr. Speaker,

From the perspective of treatment and counselling, the Government's vision is that the Programme should ultimately provide free and accessible counselling by appropriately trained counsellors by way of a 24-hour, toll-free counselling line. This service should be accessible both to self-confessed problem gamblers as well as to other persons seeking help on behalf of others close to them, and should include potential referral to treatment professionals contracted to provide services to the Programme.

The Programme should also be responsible for the conduct of research, which should include –

- Regular studies of the rate of participation in different forms of gambling in the country;
- The prevalence of problem gambling in the country; and
- The relationship between problem gambling and poverty and ignorance.

The Government envisages that the adequate training would be provided for employees of both the Gaming Board and licence holders, designed to promote a more comprehensive understanding of the phenomenon of problem gaming.

In addition to the above, the Gaming Bill makes provision for a process in which persons may exclude themselves from participation in gaming, as well as a further mechanism which enables interested third parties to make application for exclusion on behalf of any other person whose behaviour manifests symptoms of problem gaming.



Mr. Speaker,

While the new legislation will presently permits non Bahamian tourists to participate in casino gaming and Bahamians and residents to participate in gaming in Gaming Houses, the new legislation goes further to empower the Minister responsible for Gaming to make Regulations permitting participation in the types of gaming contemplated in casinos and gaming houses by any category or all categories of persons. Such Regulations may also regulate the circumstances under which such participation shall be permitted. As a result, when promulgated, such Regulations would end the distinction between categories of persons allowed to game in casinos and gaming houses, as well as the types of games offered in casinos and gaming houses.

Mr. Speaker,

The new legislation provides for the various forms of lottery. A new provision has been included in the Gaming Bill to empower the Minister to authorise the conduct of a National Lottery in The Bahamas, and to appoint a service provider to operate the national lottery under a management contract. The Gaming Bill further provides for the Minister to make regulations (inter alia) governing the management contract. The Gaming Bill also confirms the ongoing illegality of all other lotteries other than –

- (a) Any national lottery that may be implemented;
- (b) Charitable lotteries;
- (c) Private lotteries;
- (d) Lotteries which are incidental to certain entertainment events; and
- (e) The numbers game, when offered by the holder of a gaming house operator licence.

Mr. Speaker,

Significant new measures with respect to casinos are contained in the Gaming Bill relating to the issuance of certain new licenses, namely, proxy, mobile and restrictive interactive gaming.

Proxy gaming will allow players on the licenced premises or from permitted foreign jurisdictions and in respect of whom a proxy wagering account has been established, to place bets with the licence holder via the medium of the internet, in such a manner that such players will communicate wagering instructions to specified employees of the licence holder on games offered by such licence holder;

Mobile gaming will authorise the conduct of mobile gaming (via communication devices) on games offered by the holder of a gaming licence, provided that the players are physically located within a geographically demarcated area (referred to as the “permitted area”) on the licenced premises of the holder of the gaming licence. Such a licence may be issued only to the holder of a gaming licence.

Restricted interactive gaming will authorise the holder of such a licence (who must also be the holder of a gaming licence issued under the Act) to engage in

interactive gaming. Only citizens of countries whose laws do not prohibit them from engaging in such conduct with an operator located in another jurisdiction (i.e. citizens of "permitted foreign jurisdictions") or persons located on the licenced premises shall be allowed to engage in interactive gaming.

Mr. Speaker,

The Gaming Bill provides for the licencing of a junket operator. A junket is a visit to a casino resort which is organised between the holder of a gaming licence and a third party (the "junket operator"), under which visitors ("junket visitors") are encouraged to visit the casino by being provided with complimentary transport, accommodation, food and beverages or other forms of entertainment. In consideration for organising the junket, the junket operator receives a commission from the relevant casino operator.

Supplier licences will also be required under the Gaming Bill by every person who distributes, repairs, alters, modifies or otherwise directly supplies any gaming device, and may only be issued to a company.

Mr. Speaker,

Carefully researched and well thought out taxes, fees, and penalties on which there was consultation with stakeholders are being applied where applicable to casinos and gaming houses.

In the case of casinos the existing tax structure subject to the provisions of Heads of Agreements remain in place with regard to games being offered under existing licences. On average, casinos pay a tax of 15% on taxable revenue on existing games. In addition, a wide range of new fees and a tax of 5% of taxable revenue on new licences in respect to interactive gaming with persons from permitted jurisdictions, proxy gaming and online gaming will be applied to casinos. While these taxes cumulatively are higher or lower in some jurisdictions, they compare favourably with cumulative casino taxes in leading United States jurisdictions like Nevada and New Jersey. When comparing casino taxes with other jurisdictions and those being prescribed for gaming houses, due consideration should be given of the higher operating costs of Bahamian casinos whose customers are foreign tourists where there are costly transportation, marketing, supplies and accommodation costs that obtain. In foreign jurisdictions and gaming houses the bulk of their clientele are local residents or drive customers.

Furthermore, casinos in The Bahamas when compared to local gaming houses, have a significantly higher capital investment. Interactive gaming in casinos, unlike in gaming houses will be offered by the casino gaming industry from large brick and mortar casinos which form a part of larger hotel resorts. The majority of casinos have made and are making huge capital investments and ongoing operational costs in their respective resort properties. In the case of Atlantis the current capital investment is approximately \$2.7 Billion, in the case of Baha Mar and Resorts World, the total investment at completion will be approximately \$3.5 Billion and \$450 Million respectively. These capital investments are not a precondition to the operation of local gaming houses.

The costs associated with acquiring, establishing, operating and maintaining a world class resort with a modern casino offering a full range of gaming amenities, of which internet gaming is only one, are exponentially higher than costs associated with maintaining and operating an internet based gaming system which accounts for the majority of gaming house business.

Certain major resort financing have been made on the basis of representations to lenders of 5% interactive gaming tax rate for casinos.

Mr. Speaker,

It would be appropriate that I should point out here that it is essential for The Bahamas to maintain a favourable tax regime and economic climate for casinos to grow their business and operate profitably, having due regard to both the proliferation of choice gaming establishments around the United States and other foreign jurisdictions, as well as the current crises being faced by unprofitable and highly leveraged casinos in New Jersey and Connecticut. Two Atlantic City casinos closed over the Labour Day weekend, and a third is scheduled to close later this month. The announcement was also made this week that Trump Taj Mahal will close in 60 days. The closing of Showboat, Revel and Trump Plaza will put 6,000 casino workers out of jobs. The closing of Trump Taj Mahal would send another 2,800 to the unemployment lines. Yet another report indicates that Foxwoods and Mohegan Sun in Connecticut burdened by heavy debt are on the brink of loan default.

Mr. Speaker,

After much careful deliberation and consultation with stakeholders and with the benefit of advice and information provided by the Government's gaming advisors and the independent accounting firm engaged for this exercise, the Government arrived at the following position on taxes, fees, penalties and social and community contributions with respect to gaming houses:

1. As provided in section 85 subsection (16) of the Gaming Bill, after making a full and frank disclosure of all turnover and gross profit generated by the conduct of their businesses as defined in the Business Licence Act, for a period of six years for businesses which were in operation for six years or more, or from the date of start up for those operations who were in business for a lesser period than six years, make payment in full of:
  - (i) All fees payable under the Business Licence Act for the review period, to the extent that any turnover or gross profits generated by the conduct of such business had not been disclosed.
  - (ii) All gaming taxes which would have been payable by that business had such business been licenced under the Gaming Act, calculated at the prescribed rate commencing on 1<sup>st</sup> July, 2014.
  - (iii) A penalty in the amount of

- (a) \$350,000 in respect of a business with a gross turnover of less than five million dollars; and
  - (b) \$750,000 in respect of a business with a gross turnover of less than five million dollars.
- 2. Payment of the licence fees set out in Regulations 49-55 of The Gaming House Operation Regulations, 2014
- 3. As prescribed in Regulation 57 of the Gaming House Operator Regulations 2014, payment of gaming taxes whichever should be the greater of —
  - (a) 11% of taxable revenue
  - (b) 25% of earnings before interest, taxes, depreciation and amortization.
- 4. Regulation 57 of the Gaming House Operator Regulations 2014 also provides that the tax should be subject to review—
  - (a) During the transitional period following the receipt of the RFP and audited financial statements;
  - (b) At such time as the Minister may otherwise direct.
- 5. In accordance with Regulation 4 of the Gaming House Operator Regulations, 2014 the RFP may require gaming house operators to make monetary contributions of a minimum of 1% for corporate social investments initiatives and 1% for community improvement.

Mr. Speaker,

The contents of the RFP which are extensive are provided for in regulation 4 of the Gaming House Operator Regulations, 2014. The RFP should leave no doubt in anyone's mind as to the thoroughness and fairness of this regularisation exercise. A copy of the RFP was circulated to web shop operators and their attorneys for their comments. So as to inform colleagues of its extensiveness, I am laying a copy on the Table of Parliament.

Mr. Speaker,

The economic impact from these comprehensive gaming measures will be considerable, and will stimulate economic growth for the public benefit as well as enhance Government revenues and fiscal policies. From unverified information received from the majority of the web shop operators, the following projections have been calculated, and are subject to change once audited or verifiable financial statements are produced, and the licensing process of gaming houses have been completed:

- Penalties, back business licence fees, and application fees payable during the transition period are expected to yield some \$25 million

- On an annual basis during the first full year of operation, the higher of a gaming tax at the rate of 11% Gaming Tax plus 2% social contributions and annual monitoring fees are expected to yield some \$22 million, on a gaming tax of 25% of earnings before deduction of interest, Taxes, Depreciation and Amortization are expected to yield some \$29 million

It is expected that the current level of employment estimated around 3,000 persons should stabilize and further improve in a regulated environment.

Mr. Speaker,

The economic impact of modernisation of casino games, the introduction of proxy, mobile and interactive gaming, the institution of a range of new application, licensing, and monitoring fees, are expected to yield some additional \$3 million to the public purse in the first full year of operation. Increased revenues are also expected to be derived from passenger and room taxes, landing fees, customs duties, and other consumption and service related taxes. Atlantis and Resorts World casinos are expected to generate more than 100 new jobs in their casinos in the next full fiscal year and Baha mar is expected to create over 700 new casino jobs in its new casino.

Mr. Speaker,

Most importantly, the Gaming Board for The Bahamas, will be tasked with the job of regulating in this new interactive environment. In its current state, the Board is admittedly in no way prepared or equipped to monitor and regulate the gaming contemplated by the Bill. However, the revenue anticipated to be generated by the ongoing fees and taxes to be applied will provide sufficiently for the reorganisation of the Board, for staffing and facilities to ensure that it is able efficiently and effectively to meet the demands that will be imposed on it when the new Gaming Bill and Regulations providing for the licencing and regulation of restricted interactive gaming, mobile gaming, proxy gaming and regularised web shop activities are enacted.

This will result in the establishment of a new structure for the Gaming Board with clearly defined reporting lines and segregation of duties. An immediate skills assessment/audit will be performed of all current staff to determine their skills, qualifications, experience and competencies to meet the challenges of the new gaming dispensation, coupled with a critical in-house analysis to determine the number of law enforcement inspectors actually required to man land-based casinos, taking into account the other reliable controls and related systems, including surveillance, that are available for monitoring purposes.

A vigorous training exercise of the Gaming Board staff is being undertaken to cope with the new realities. The Board will require skilled and experienced information technology persons, and gaming experts who will have a solid background in systems, and be able to conduct complex investigations to ensure the integrity and reliability of the electronic monitoring systems that will be used by the

various gaming operators; in addition to persons with appropriate qualifications and a solid accounting background, complemented by better than average computer literacy skills. The necessary legal, financial administration, auditing, investigative, regulatory and compliance personnel will be put in place.

Mr. Speaker,

The compendium of gaming related legislation being debated in Parliament is the product of assiduous effort, born of the commitment of my Government to unlock the wealth of potential which a properly regulated, modern gaming industry represents for the people of The Bahamas. This legislation is set to transform The Bahamas into a vibrant, internationally competitive gaming jurisdiction, anchored by solid and detailed legislation which not only honours the international obligations of the Government, but which will also act as a catalyst for the generation of revenues, economic development and the advancement of the public good within a socially responsible framework. I am confident that the positive legacy of this landmark legislation will remain evident for several decades to come.

It remains for me to express appreciation to our Gaming Advisors AG Consulting, Grant Thornton Accounting firm, attorneys for the casinos and gaming houses, the team of officials from the Office of The Prime Minister, the Office of the Attorney General, Ministry of Finance, Ministry of Tourism and the Gaming Board for their immeasurable and tireless contribution, as well as casino and gaming house stakeholders for their collaboration and support.