

THE CENTRAL BANK OF THE BAHAMAS

CENTRAL BANKING IN A DEVELOPING COUNTRY
WITH AN OFFSHORE BANKING CENTRE

BY

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The Bahamian economy is one that is predominantly service-oriented. Next to tourism, the banking and financial sector is most important to the economy in terms of its contribution to the Gross Domestic Product. In 1970 this contribution was estimated to be 13 per cent. A mature and strong financial infrastructure is a sine qua non of economic growth and development and in this regard, The Bahamas is a step ahead of many developing countries. The banking and financial sector is a dynamic component in The Bahamas' economic development. The public sector, as the agent for advancing economic growth and development, utilizes the financial system as a means of attaining its growth objectives.

The focal point of this paper will be the Central Bank's relationship with the offshore banks. However, we will be examining the growth of the banking system prior to the establishment of the Central Bank and also the factors that accounted for the emergence and development of Nassau as an offshore financial centre. In discussing the objectives and functions of the Central Bank and the policy instruments which it has at its disposal to effectively implement these objectives, the paper attempts to show that there is no fundamental difference between The Central Bank of The Bahamas and other Central Banks in the region as far as its domestic operations are concerned. However, in addition to its responsibility to the domestic economy, The Central Bank of The Bahamas also has a responsibility to the international community. It is because of this international feature that it assumes a unique character.

The first financial institution in The Bahamas was established

in 1835 as a Government Savings Bank. In 1837, it expanded its functions to include commercial banking services and it was formally changed to the Public Bank of The Bahamas. The history of this bank is rather sketchy but its failure was said to have resulted from "a general want of system and discipline and efficient control over loans." (1)

In 1889, the Bank of Nassau was formed. This became insolvent during the first world war and its assets and liabilities were acquired by the Royal Bank of Canada which came into existence in 1908. This was the only commercial bank operating in The Bahamas until 1947 when Barclays Bank came to our shores. The banking industry experienced a remarkable growth in the sixties with the setting up of several branches and/or subsidiaries of foreign banks when The Bahamas gained recognition as a centre for Euro-dollar trading and later with the boom in offshore trading. In 1963, there were only 37 banks and trust companies. This number increased to 208 by the end of December 1967. At the end of 1970, there were 307 and on December 31, 1973 the number of licensed financial institutions in The Bahamas totalled 323. Of the 323 financial institutions licensed under The Banks and Trust Companies Regulation Act, 1965, 133 of these were non-active or restricted to deal with the person or persons specified in the licence and 190 were licensed to deal with the general public. Of these 190, there were 107 Euro-currency branches of foreign banks which engaged exclusively in offshore operations.

Table I gives a detail breakdown of the financial system as at August 31, 1978. Of the 188 financial institutions licensed to

transact business with the general public, 103 are Euro-currency branches of foreign banks, 69 are Bahamian incorporated banks and/or trust companies and the remaining 16 are authorized dealers and/or agents. (2) Of these 16 financial institutions, eleven are commercial or domestic banks. The unique feature of the banking system in The Bahamas is its duality with respect to domestic banking vis-a-vis offshore banking. In addition to the strictly offshore banks, the domestic banks as well as some of the incorporated banks conduct extensive offshore operations. In fact, the offshore assets and liabilities of the domestic banks are far in excess of their domestic assets and liabilities.

The emergence of Nassau as an offshore financial centre in the late sixties was due primarily to external considerations. Various policy measures were instituted by the United States Government to restrict capital exports in an effort to tackle the persistent deficits in the country's balance of payment. Among these was the Interest Equalisation Tax 1963, which made it unattractive for Americans to invest in non-American securities. Then there were other monetary restraints imposed by the Federal Reserve Board, for example, Regulation Q which made it unattractive for non-Americans to buy American domestic dollar bonds since the regulation limited the interest rates on these dollar bonds to a level below that of international interest rates. Regulation Q made it difficult for the commercial banks to borrow on the American money market. In light of this, the big American banks were compelled to borrow on the Euro-dollar market through their branches which were normally concentrated in London. However, the small and medium sized banks

found the establishment of a branch in London to be very costly, thus they turned to The Bahamas as an alternative outlet for their offshore activities. The attractiveness of The Bahamas as an offshore banking centre stems partly from the fact that it is located in the same time zone as New York, the hub of financial transactions in North America.

The restrictive measures instituted by the FRB in an attempt to curb capital exports were instrumental in encouraging the creation of overseas branches, subsidiaries and affiliates in The Bahamas by many U.S. banks to service their clients doing business abroad. Although these external factors helped to establish Nassau as an offshore banking centre, it was the internal factors that facilitated its development as a major offshore financial centre. These factors include its tax haven status (no taxes on income, profits, earnings, capital gains or distribution; no inheritance or succession taxes or death duties and no withholding tax); liberal legal provisions for registration and licensing; strict laws for maintaining bank secrecy as laid down in The Banks and Trust Companies Act which is based on the English Law of Trust; a good geographical location which allows the Nassau branches to provide timely Euro-currency rates to customers in the United States, Canada and Latin America; a well-developed air and telecommunications system linking the important world financial centres, and political stability.

Table II shows the total resources of foreign branches of U.S. banks by major geographical area for three years - 1969, 1971 and 1973. The table reveals the continued concentration of activity in Europe, particularly London. However, the most notable gains have

been made by the branches in Latin America and the Caribbean where the proportion of total branch resources held rose from 7 per cent in 1969 to 20.5 per cent in 1973. It is interesting to note that almost all of this gain was accounted for by the "shell" branches in Nassau and the Cayman Islands.

It should become apparent from the foregoing discussion that the banking system in The Bahamas was already highly developed when the Central Bank was established on June 1, 1974 under The Central Bank of The Bahamas Act. As the premier financial institution, it was vested with numerous responsibilities, the most important being that of formulating and operating monetary and credit policies. The broad objectives of the Bank as outlined in Section 5 of The Central Bank Act are:

- (a) To promote and maintain monetary stability and credit and balance of payments conditions conducive to the orderly development of the Bahamian economy;
- (b) In collaboration with the financial institutions, to promote and maintain adequate banking services and high standards of conduct and management therein; and
- (c) To advise the Minister of Finance on any matter of a financial or monetary nature referred by him to the Bank for its advice.

In this regard, The Central Bank of The Bahamas is no different from the other Central Banks in the region. Like its counterparts, it has been entrusted with sufficient powers and several functions to facilitate the fulfilment of these objectives. The Central Bank is

the sole issuer of notes and coins; it acts as a banker and adviser to the Government and as manager of the public debt; it is also a banker and lender of last resort to the commercial banks. For regulating money and credit the Bank has the usual policy instruments of control at its disposal; that is, the discount rate; open market operations; variation of reserve requirements and liquid assets ratio; selective credit control measures and moral suasion.

As manager of the public debt, the Central Bank meets the government's need for short-term borrowing by making temporary advances in amounts not exceeding 10 per cent of government's ordinary revenue receipts. With respect to long-term finance, the Central Bank arranges for the issue of Registered Stocks and provides a market for these Stocks. The Bank decides how much of the varying types of maturities it should incorporate in its assets portfolio for future sales to institutional investors and also for its credit policy operations. The Central Bank Act restricts the Bank by limiting its holdings of securities maturing beyond five years to 20 per cent of its demand liabilities. However, there is no limit on the holding of government securities maturing within five years. In 1977, a new Registered Stock issue of \$27.5 million was floated to cover the budgetary deficit and to repay maturing debts. The Central Bank took up \$4.5 million which it subsequently relinquished by open market sales to institutional investors. In executing its operations relating to the floatation of Registered Stocks, the Central Bank ensures that such operations have the least disturbance on the money market and the government securities market. It also ensures that the government can raise the long-term loans it needs on the most favourable terms.

In its transactions with the domestic banks the Central Bank attempts to regulate both the assets and liabilities of the banks so as to affect the stock of high-powered money and hence the total money supply. The Central Bank uses the discount rate instrument to control the assets of the commercial banks. The Bank charges a rate which is 1/2 per cent above the average market rate of discount of Treasury bills for the rediscounting of Treasury bills and for loans and advances it imposes a rate which is 1/2 per cent above the commercial banks prime loan rate. In an attempt to reduce the excessive liquidity of the banking system, the Central Bank decided in May 1975 to introduce a Special Deposit Account for the banks and to pay a 4 per cent rate of interest on balances held in excess of 250 per cent of the Statutory Reserves held with it. This facility is not operating at this time. To date, the Central Bank has not utilized its powers of selective controls.

In regard to the banks' liabilities, the Central Bank has had no occasion to vary the 5 per cent reserve ratio⁽³⁾ which it fixed immediately after starting its operation. The liquid assets ratio was fixed at 20 per cent of demand deposits and 15 per cent of time and savings deposits. This ratio has also not been changed. In addition, the Central Bank may use moral suasion to regulate credit. This is perhaps the most widely used method of credit control. The Governor meets periodically with the bankers to discuss matters relating to money and credit.

Before we examine the Central Bank's relationship with the offshore banks, we must be perfectly clear in our minds as to what we understand by the concept "offshore". Contrary to the widely held

view of The Bahamas as an international financial centre, The Bahamas does not perform the function of an international financial intermediary such as London, New York, Zurich, Paris, Hong Kong, etc. The Bahamas provides offshore banking services. The funds flowing into The Bahamas are not converted into Bahamian dollars. They are mostly Euro-dollar transactions which originate from the Head Office of banks located in foreign countries or from other branches and the Nassau branches act as administrative and accounting centres for such transactions. The absorptive capacity of The Bahamas is relatively low and, bearing in mind the investors' desire for liquidity, one can readily appreciate why centres such as Nassau merely act as conduits. Although, by and large, these Euro-currency banks act as administrative and accounting centres, a recent trend has been for the Euro-currency banks themselves to float debenture bonds from their Nassau office. The substantial stamp duties derived from these bonds constitute a direct advantage to the local economy.

The total amount of Euro-dollar transactions entered into by the branches and subsidiaries of foreign banks in The Bahamas is considerable. Although it is not possible to give a precise idea of the amount of such transactions, the statistics that are available give us a fairly good idea of their magnitude. Presently there are 283 financial institutions managing some 100 billion dollars and only about 1/2 billion of this concerns the domestic economy. The U.S. bank branches dominate the financial system and according to the International Financial Statistics, assets of U.S. bank branches as at July 31, 1977 amounted to \$73.4 billion of which claims on the United States totalled \$6.4 billion. Their liabilities in The Bahamas

equalled \$72.2 billion of which \$25.0 billion was owed to the United States. This illustrates that unlike in the sixties the U.S. banks were no longer engaged in substantial borrowing from their foreign branches; instead they were using their foreign branches as outlets for their surplus funds for investment in the Euro-currency market. The importance of The Bahamas as an offshore banking centre is indicated by the Bank of England statistics which show The Bahamas to be the biggest source of offshore deposits to U.K. banks and also the major receiver of funds from the London market. As at September 1977, \$67 billion or 1/3 of all the assets of all the foreign branches of U.S. banks were held in The Bahamas and the Cayman Islands as opposed to \$64 billion in London.

The Central Bank of The Bahamas like other Central Banks in the region, has the responsibility of maintaining domestic monetary stability and equilibrium in the balance of payments. However, unlike its counterparts in the region, it has the added responsibility of strengthening the offshore banking structure in the interest of the national as well as the international community. The Central Bank must ensure that the reputation of Nassau as an offshore banking centre is maintained so that world confidence in international banking cannot be shaken as it was in the seventies.

As a result of the failure of the Franklin National Bank, the Herstatt Bank, the International Credit Bank of Geneva and a few other Swiss banks, the international community was compelled to increase its supervision of the international banking system. Checks were made to ensure that there were no excessive speculative positions in foreign exchange dealings and overextension of bank credit and

attempts were made to measure country risk. The Cooke Committee was set up to monitor and control banking on an international level. However, the national supervisory authorities of the developed countries, being cognizant of the dangers of the Euro-market in terms of the effect it can have on monetary policy, have also sought to improve the supervision of their respective banking systems. The banks themselves have instituted internal controls to safeguard against failure. These various measures were introduced in the interest of developing and maintaining a sound, healthy international banking structure.

Although the Central Bank does not intend to tighten its control on the offshore operations of bank branches in The Bahamas, it must always be aware of developments on the international scene. Failure of offshore banks here will undoubtedly have a damaging effect on international banking. Consequently, the Central Bank has been carefully monitoring offshore banking activities in accordance with The Banks and Trust Companies Regulation Act 1965. The Bank's Supervision Department adheres to very strict rules in assessing the applicants' character, integrity and the capability of directors and managers. The Central Bank is guided by certain fundamental principles in allowing offshore banks to operate. Although they are permitted to operate in virtual freedom from official control, The Banks and Trust Companies Regulation Act 1965 preclude a bank from functioning in a manner that would damage the reputation of The Bahamas as a successful offshore banking centre. A development during 1977 was the formation in The Bahamas of a Group of Euro-banking Institutions to serve as a forum for more meaningful dialogue between the Euro-dollar

banks and the Central Bank. The Group would also act as a medium for channelling information to its participants. This Group has already proved to be a very useful medium for Euro-currency affairs and played an active role in the recent Government Stock issue of US\$10 million. This formal approach in addition to an informal arrangement based on mutual trust and understanding with each bank has contributed to the development of Nassau as a reputable offshore banking centre.

The offshore banks contribute significantly to the Bahamian economy in terms of employment and foreign exchange. The Central Bank's task, therefore, is to ensure that the external economies arising from the presence of these banks are maximized. Another indirect advantage flowing from the presence of the offshore banks is that as more and more Bahamians are employed by these institutions, they acquired technical skills in international banking. Ultimately, this may help The Bahamas to develop its own international banking business.

The profits earned by these offshore banks, or by the branches of foreign banks which are termed resident banks for Exchange Control purposes, do not accrue to the local economy but the cost of their operations represent a substantial source of foreign exchange to the domestic economy. According to a survey⁽⁴⁾ conducted by the Central Bank, the total operational cost of the major banking institutions amounted to \$34.4 million in 1975. Table II shows the tremendous benefits the economy derives from an annual inflow of foreign exchange or its equivalent as represented by the banks operational expenses. It is worthwhile to note that the total expenditure represented about 14 per cent of the \$250 million visible trade deficit in 1975. The

government derives a significant amount of revenue from licence fees, registration fees, immigration fees and stamp duties. In fact, the total annual licence and work permit fees and company registration fees accounted for approximately 2 per cent of government revenue and covered some 30 per cent of the government's foreign currency obligation for the amortization of the public debt which stood at \$6.3 million in 1975.

The expenditure for the construction of building and bank premises gives an idea of the banks contribution to capital formation. Furthermore, the economy benefits from a balance of payments gain, albeit short term, in the form of an inflow of foreign exchange from foreign clients. Moreover, as consumers, these clients who are attracted to our shores constitute a valuable source of tax revenue.

The presence of offshore banks afford the government and business firms easy access to foreign credit on relatively competitive terms. Since there is such a keen competition between the banks to employ the funds raised from primary lenders, primary borrowers find it easier to borrow funds on relatively favourable terms from the offshore banks. When the government or the domestic firms wish to borrow from the offshore banks they do not have to prove their credit-worthiness or their need for foreign credit with feasibility studies and other supporting statistical information as is the case when borrowing from international financial institutions. This is a very important consideration for a developing country like The Bahamas which needs funds fairly quickly to execute development projects. Borrowing from the offshore banks considerably lessens the time consuming process of feasibility studies.

In 1973, of a total Registered Stock issue of \$30 million, the government was able to raise \$17.2 million in foreign currency from a consortium of banks of which \$8.4 million was secured from the strictly offshore banks. In 1974 when the economy was faced with the threat of massive unemployment with the impending closure of three major hotels, the Government was able to raise a \$20 million loan in foreign currency from a major commercial bank for the purchase of these three hotels - \$15 million was for the acquisition of the hotels and \$5 million was working capital. By the end of 1974, the Government was able to secure \$7.9 million in foreign currency from another commercial bank for the development of schools in The Bahamas. In 1977, the Government was able to raise an \$11 million foreign currency loan for refurbishing and renovating the government-owned hotels and on October 21, 1977, the Government issued Registered Stocks in the amount of \$40 million of which \$10 million was in foreign currency. These fact illustrates the significant impact that offshore funds have on the development of the Bahamian economy. Besides, the terms of these loans are very much in line with other international banking loans.

In view of the absence of an implicit tax on deposits due to the exemption of the deposits of the offshore banks from reserve requirements and their virtual freedom from Exchange Control Regulations, the structure of deposits and lending rates is determined by the free play of the forces of supply and demand. The movements in these rates gives the Governor an indication as to what should be the appropriate deposit and lending rates in the domestic market which is conducive to deposit mobilization and the financing of viable economic projects

in both the public and private sectors. In addition, from the movements in these rates and the information which international money brokers provide to the Governor privately, the Governor is in a better position to take policy decisions with regard to the management of the foreign exchange reserves of the country.

The question that usually comes to mind when dealing with offshore financial centre is whether or not it is possible to insulate the economy from the operations of the offshore banks. In the case of The Bahamas, the Central Bank has been quite successful in segregating the domestic banking business from the offshore activities. In a situation of tightness in the local money market, Exchange Control Regulation precludes the offshore banks' infiltration into the market for the profitable employment of their funds. Similarly, if there is excess liquidity in the domestic market, the local financial institutions cannot deposit excess funds with the offshore banks because the latter needs official approval to hold Bahamian dollars. In short, Exchange Control Regulations prevent the offshore banks from conducting their business in a manner that would frustrate the Central Bank's monetary and credit policy.

The Central Bank's success in insulating the domestic banking operations from the offshore banking sector is due to its flexible Exchange Control system. Offshore banks are designated "non-resident"⁽⁵⁾ and they operate without restrictions in the international market. But the Central Bank's approval is required for any dealings in Bahamian dollars. Resident banks⁽⁶⁾ who are authorized to deal in foreign currency may borrow foreign currency without limit for re-lending abroad but they need the Central Bank's approval to make

foreign currency loans to residents. Under the Exchange Control Regulations, residents are generally not allowed to hold foreign currency accounts. However, in some cases approval is given for the holding of such accounts mainly for commercial purposes.

Most important is the restrictions relating to the switching into and out of Bahamian dollars. Resident banks are allowed to maintain a \$500,000 long or short open position, that is, their foreign currency liabilities (assets) must not exceed their foreign currency assets (liabilities) by this amount. Any amount in excess of this limit must be submitted to the Central Bank in exchange for Bahamian dollars. This quantitative limit is imposed by the Central Bank to ensure that banks provide cover for their Bahamian dollar liabilities with adequate levels of Bahamian dollar assets. It also attempts to prevent speculation in Bahamian dollars against other currencies as well as to ensure that Bahamian dollar deposits are utilized for Bahamian dollar loans and advances. Furthermore, these banks are not allowed to place their excess Bahamian dollar funds in deposits abroad. The banks, in the main, have adhered to these regulations thus allowing the Central Bank to separate offshore banking operations from domestic banking business. The existence of a Euro-currency market as a parallel source of funds for the banks does not jeopardise monetary policy as in other countries which permit an arbitrary switching into and out of local currencies.

The foregoing analysis has brought into sharp focus the advantages a developing country such as The Bahamas can derive from the presence of offshore banks. The paper has also indicated the practical steps that have been taken to ensure that the offshore banks do not frustrate

the efforts of the Central Banking Authority to maintain internal and external monetary stability.

It may be of interest to mention that the success achieved by the Central Bank in attracting the offshore banks' business to The Bahamas by pursuit of a liberal exchange control policy and by keeping their operations free from monetary control seemed to have led Monetary Authorities in other developing countries to change their restrictive attitude. The Government of Singapore has had to remove existing taxes so as to enhance the development of Singapore as an offshore financial centre. The development of the Asian currency market has been greatly assisted through the incentives provided by the Monetary Authority of Singapore, such as, the exemption of Asian Currency Unit transactions from exchange control and the suspension of the 20 per cent liquidity requirement for banks maintaining foreign currency deposits. Among the fiscal measures was the removal of the 40 per cent withholding tax on interest earned by foreign depositors.

The benefits the domestic economy derives from offshore banks are clearly manifested and the external diseconomies that may arise from their presence are far outweighed by the economies that the country derives from them. The authorities are fully aware of these economies and are determined to fully utilize this potential resource to strengthen the local economy and promote its growth and development.

**BANKS AND TRUST COMPANIES LICENSED IN THE BAHAMAS
AS AT AUGUST, 31ST, 1987**

283
Banks & Trust
Companies

168
Public Banks
&/or Trust
Companies

95
Restricted
Non-Active &
Nominee

16
Authorized
Dealers & Agents

103
Euro-Currency
Branches of
Foreign Banks

69
Bahamian Inc.

82
Restricted

13
Non-Active

4
Authorized
Agents &
Dealers (2 are
Clearing Banks)

7
Authorized
Dealers (5 are
Clearing Banks)

5
Authorized
Agents (all are
Trust Companies)

- 81 U.S.
- 3 U.K.
- 3 S.A.
- 6 Swiss
- 1 Israel
- 2 Indian
- 1 French
- 1 Pakistan
- 1 Cayman
- 2 Panamanian
- 1 Hong Kong
- 1 Spanish

40
Subsidiaries of
Banks based out-
side the Bahamas

29
Bahamian based
Banks & Trust
Companies

- U.S. 12
- U.K. 2
- Swiss 13
- Italian 5
- Luxembourg 2
- Canadian 5
- Panama 1

7
Resident under
Exchange Control

21
Non-Resident
under Exchange
Control

TABLE II

Total Resources of Foreign Branches of U.S. Banks by Major Geographic Area 1969, 1971, 1973

(Amount in millions of dollars)

<u>Geographic Area</u>	<u>September 30, 1969</u>		<u>September 30, 1971</u>		<u>September 30, 1973</u>	
	<u>Amount</u>	<u>Per Cent of total</u>	<u>Amount</u>	<u>Per Cent of total</u>	<u>Amount</u>	<u>Per Cent of total</u>
<u>Total All Foreign Branches</u>	29,923	100.0	55,541	100.0	109,330	100.0
<u>Europe</u>	25,556	85.4	44,500	80.2	77,313	70.7
United Kingdom	20,137	67.3	32,582	58.7	55,686	50.9
Rest of Europe	5,419	18.1	11,918	21.5	21,627	19.8
<u>Asia and Pacific</u>	2,242	7.5	4,276	7.6	9,670	8.8
Hong Kong and Singapore	-	-	694	1.2	2,756	2.5
Rest of Asia and Pacific	-	-	3,582	6.4	6,914	6.3
<u>Latin American and Caribbean</u>	2,125	7.1	6,767	12.2	22,345	20.5
Nassau and Cayman Islands	-	-	6,193	11.2	21,059	19.3
Rest of Latin America	-	-	574	1.0	1,286	1.2

Source: Federal Reserve Board

EMPLOYMENT AND GROSS FOREIGN EXCHANGE EARNINGS FROM THE BANKING SYSTEM, 1973 - 1975

	<u>1973</u>	<u>1974</u>	<u>1975</u>
Employment:			
Bahamian	1,569	1,605	1,640
Non-Bahamian	254	250	240
Salaries	B\$17,093,251	17,195,176	18,329,945
License Fees	1,052,229	1,040,488	971,296
Company Registration Fees	345,800	326,300	350,300
Work Permit Fees	146,886	148,210	187,138
Administration and Miscellaneous Expenses	11,330,007	12,054,576	14,103,829
<u>Total</u>	B\$29,968,173	30,764,750	33,942,508
Construction and Renovation Expenditures	1,695,186	879,871	452,324
Total	B\$31,663,359	31,644,621	34,394,832

SOURCE: Central Bank of The Bahamas

Footnotes

- (1) Philip Thorn, Profile of an Offshore Investment Centre, The Banker Research Unit, F.S. Moore Ltd., London, pp.22.
- (2) Authorized dealer is defined as a bank which has been authorized by The Exchange Control Department to deal in gold and all foreign currencies, and for this purpose they can open and maintain accounts in such currencies, within the limits laid down from time to time in The Exchange Control Notices issued by The Central Bank of The Bahamas. They can also approve certain applications under delegated authority.

Authorized agent is defined as a bank or trust company authorized by The Exchange Control Department to deal in Bahamian and foreign currency securities and to receive securities into deposits (to act as custodians) in accordance with the terms of The Exchange Control Regulations 1956 and The Exchange Control Notices issued, from time to time, by The Central Bank of The Bahamas.
- (3) The 5% statutory reserve requirement is in respect of all non-financial Bahamian dollar deposit liabilities of all financial institutions.
- (4) Questionnaires were sent to 70 addresses representing 253 licences. Information was received from 39 addresses representing 178 licences. The majority of those who did not report were restricted banks and trust companies.

- (5) A non-resident bank and/or trust company is one which can operate only in foreign currencies, but may hold a Bahamian dollar account, with Exchange Control approval, to pay local expenses.
- (6) A resident bank or trust company is one that can deal only in Bahamian dollars, but they can operate in foreign currencies with the authorization of Exchange Control. Trust companies with resident status are allowed to deal in foreign currency securities on behalf of non-resident customers.

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- (4) The Banker Research Unit, Offshore Investment Centres
- (5) Thorn, P., The Commonwealth of The Bahamas: Profile of an Offshore Investment Centre.
- (6) "Supervising the Euromarket dinosaur", the Banker, August 1978.