

Post Conference Communique

**Invest Turks and Caicos
2nd Annual Economic Conference**



**Financial Services – Building Block of a Strong, DIVERSIFIED
Economy**

Friday, November 8th, 2019





Keynote Speaker, Mrs. Lorna Smith, Former Executive Director, BVI Finance and Founder and Chief Executive Officer of LGS and Associates

The benefits of growing the financial services sector as a second pillar to TCI's superlative tourism and UHNW real estate brands. A perspective from BVI.

Cited declining trend in Financial Services in TCI GDP which must be addressed, and TCI is poised to do so as a result.

Evidenced several examples and the UK white paper 2012 (pertaining to security services and sustainability) which highlights the consistent support from the UK for Overseas Territories to develop their financial services industry. The UK government believes that territories that meet international requirements should develop their sector without discrimination.

Stated that overseas jurisdictions have been able to develop their FS sectors through a combination of timing and luck. Assessed examples of around the region that have been able to establish niche positions and comparative advantages as a result. This is to support the notion that TCI can equally develop the industry strategically based on the advice, experience and mistakes of these centers.

-  *Bermuda- Developed a leading captive insurance domicile due to lack of capacity and high premiums in US markets and geographical convenience to North Eastern United States where many of these insurance companies are headquartered.*
-  *Channel Islands- Geographical convenience for the UK as its within the area for sterling exchange control purposes*
-  *British Virgin Islands- Largest corporate domicile built on the instability of Panama during the Noriega era*
-  *Cayman Islands- Offshore banking sector following perceived instability in Bahamas leading up to its independence. Currently a major offshore banking and hedge fund domicile.*

An opportunity to recognize is Asia, which currently accounts for 38% of global output. In addition to China Belt and Road initiative this will increase China outbound investment by approximately \$25 trillion. Along with India and Vietnam, Asia has shown strong demand for offshore investment and will continue to grow, and it is imperative that TCI puts itself in the mix of this market.

How can TCI build this economic pillar?

1) Diversify by building on current strengths

TCI is in good place to build on this for two reasons, being that it now has a seat at the table going forward when new international standards are drawn up in addition to complying with all rules as it relates to transparency and good corporate governance despite the changing goal posts.

US dollar removes any exchange controls, great relations with the US and other neighboring countries.

Union Jack and status a BOT conveys stability. Investors are quite traditional, and this offers reassurance. TCI must prepare a package of incentives to lure businesses to TCI.

Use the status within the EU (adherence to 2nd EU economic substance requirements) to attract businesses to TCI and have a vehicle domiciled in the country which makes key substantive decisions.

Improved sound legislation and a well-resourced Financial Services Commission is bedrock of TCI financial growth. The legislation must be updated, refreshed and product driven. This includes more lawyers within the FSC offices, particularly TC Islanders and identifying persons who have worked in private sector to develop product driven legislation and give good instructions.

FSC must be more vibrant and business orientated. If TCI feels this isn't the case then immediate attention must be given to it and investors can become frustrated by inefficiencies, bureaucracy and delays.

Maintaining international standards will boost reputation and send the right type of business and compiling a beneficial register will in fact be of benefit long term

Political will is crucial. Government must be proactive in enabling a stable, judicial, economic and social environment for FS.

Investors crave certainty and delays will hinder business and be a setback. Considering a fast track system to overcome delay in work permit processing: this must be implemented.

2) Developing TCI Capability.

Population must be well informed and understand the FS industry for it to grow, therefore education for society is key. Basics of financial services must be taught from 3rd and 4th Grade students. The BVI 2014 campaign launch on the benefit of the FS sector with greater engagement and awareness of industry is a good example of a way to implement this. This understanding is important as it removes "them" against "us" mentality

To address locals being majority employed and sufficiently represented in this industry, their capability must be assessed. This can be done by asking the following questions:

- What is the TCI talent deficit?
- How to ensure the appropriate labor force to develop the industry?
- How to ensure relevant training and scholarships that are needed for TC islanders to be part of the industry?
- How to ensure relevant use of secondments effectively?

Training must be in line with opportunities available and by attracting 1 or two big names (whether law firms or banks) the country can ensure the local population be a part of the international financial landscape by working for these companies.

Technological advancement is another critical component for the success of the TCI FS industry as it facilitates ease of doing business in TCI and an opportunity for TCI to be ahead of the curve in this regard as opposed to playing catch on all other aspects of FS.

An example offered of technology advancement benign of benefit is the BVI corporate registry know as Beneficial Ownership Secure System (BOSS). Countries that don't invest in automation of services to satisfy clients demand for speed, accuracy and digital interaction will face extinction.

Ultimately the development of the FS sector will lead to a higher economic benefit, increased GDP and greater standard of living and its success will depend on the courage confidence and political

will from the government support its development. BVI is 35 years in so for TCI the understanding that it will take time but the urgency to start that process now is critical.

Hon. Sharlene Cartwright-Robinson- Premier

The Government's Role in Supporting a successful Financial Services Industry

There is a clear understanding from TCIG of the importance of the financial services industry to be a secondary backbone to a diverse TCI economy after tourism and there is unwavering support to move this forward as an integral component to the economic advancement of the country.

TCIG recognizes its critical importance in the modern TCI economy and sees the financial services industry as an enabler of infrastructural investments, job creation and economic growth.

TCIG fully understand the balance of innovation with the constant need to boost resources to meet regulatory compliance issues, upgrade systems and upskill all stakeholders. This is costly but necessary for a competitive edge is to be established.

TCIG accepts that alternative markets need to be ventured into such as Saudi Arabia and a China policy must be established as Asia markets need to be explored

An example of our commitment to developing this sector and attracting HNW individuals to our shores is evidenced in the plans to redevelop the airport. This was also demonstrated by the issuance of the commissioning a strategic analysis report which was carried out by KPMG.

Talent is a key determinant to the sectors growth and there a shortage of talent that presently exists in this sector. TCIG is cognizant that the ability to attract and retain talent is important for the industry to be successful and remain relevant in the country.

TCIG recognizes the current limitations and has demonstrated its trust in the private sector to put forth initiatives as it is the private sector that possesses the knowledge and know how to address vulnerabilities.

It is evident of weaknesses that currently exist in the industry which include technological limitations, there is no clear financial services plan or strategy and the presence of only smaller domestic firms.

TCIG has a considered approach and will asses the feasibility for an intervention in the instance of market failure.

It is necessary that the industry ensures it develops local human capital and creates inclusive business models to overall benefit of the country.

TCIG has agreed to the recommendations put forth in the KPMG report and will set up monitoring and evaluating processes to ensure sustainable outcomes.

Recommendations agreed by TCIG

- i. TCIG has agreed to development of a strategic marketing plan to promote the Turks and Caicos as a financial centre internationally.

- ii. The development of a cyber security data protection strategy
- iii. Immigration protocols that include timeframes for persons working in financial services inclusive of work permits (of up to 5 years) with a longer-term duration.
- iv. Amendment of the insurance ordinance to provide licensing for producer and reinsurance companies
- v. Expansion to medium sized captives
- vi. Five-year legislative roadmap for the development of new products and initiatives
- vii. Training opportunities for school leaver/graduates which include secondments and the hiring of apprentices.
- viii. Agreed to regular project working group (Financial Services Group) for cross collaboration between private sector and government to take on issues and focus on the betterment of a healthier whole which includes a foundational plan with evolutionary changes.

Breakout Session 1- Moderator: Gary Brough, Partner, KPMG

What products and services should TCI focus upon to grow the international financial services ('FS') sector?

Establish Connection between Tourism and Financial services industry

As it stands TCI is the 2nd most tourist dependent country in the world (only behind the Macau). Although we have been a huge success story over the last 30 years, we are remarkably vulnerable.

Our average daily rate is \$400 a night more than our nearest competitor which poses the question as to who we are attracting to our country. It is HNW and UHNW individuals and decision makers that vacation here. However, this is not translating into more business in the FS industry. Why is this not happening and how can we do a better job?

- i. Have a core natured approach to growing the industry comparable to that of the TCHTA, where we are working together or collectively to grow the industry as a whole rather than scattered. Involve the TCHTA in this development as they know their clientele better than we do
- ii. By working with our successful colleagues in the tourism industry asking if they have clients that would be interested in investing in the FS industry, we are likely able to achieve this without imposing on the #1 reason they came here which was for a vacation.

Getting the basics right

- i. Prior to growing the industry and attracting clientele we must first understand what it takes to do this and that is putting ourselves in positions to service the industry. This means improving our basic processes and services to an efficient and reliable standard. This includes services such as opening a bank account, obtaining driver's license, work permits etc.

- ii. Have a strategic market research plan in place which shows who's most likely to invest here, who should we target, our demographic, therefore we can use resources to specifically target this segment.

Reestablish our competitive position

- i. Overtime, the industry has lost its competitive position and to regain this we must attract skilled person with wealth management skills to revitalize the industry. On average the TCI issues 3,600 work permits a year. A request of 100 work permits are needed to rebuild this industry, totaling less than 1% of the total amount issued every year. A minimum of 5 years should be considered to attract these skilled persons to our shores as we are seeking long term commitment to the growth of the industry and this is one incentive to ensure that.
- ii. Ultimately there must be a national development plan which breaks down how this competitive position will be attained and a clear answer as to why I should invest in TCI rather than another offshore territory.

Break Out Session 2- Moderator: Gordon Burton, Managing Director, Caribbean Management Services Limited

What changes do we presently think need to be implemented to grow the FS sector?

Product and Placement

It is best recommended that the financial services and products offered are specialized with multiple access points on an international level.

- i. It would not be the best idea to offer too many different types of services and products without consideration of specializing in any particular one. Rather focusing on one or two financial services and/or products would ensure accuracy and successful implementation.
- ii. Allowing interested parties access to our products and services internationally will help to increase willingness. Setting up offices in well-known sensible locations, such as London or Toronto, will give interested international parties an easier option to access Turks and Caicos. This could include government and private services.
- iii. Consider partnership with a large corporation to open a branch or agency in the TCI.

Attracting Qualified Talent

Introduction of specialized financial products and services, it would be wise to seek talent internationally and develop talent locally.

- i. Consider sourcing talent from the United Kingdom especially in the wake of Brexit.
- ii. A local or internal person should be identified to shadow each international talent acquired where practicable.
- iii. Consideration should be given to an exchange program where international applicant exchanges position with a national of the Turks and Caicos Islands for training purposes to increase job experience at another location and preferably a larger organization.

- iv. Developing a trade school for financial services to increase the skill set of local talent.
- v. Local applicants that are rejected should be given feedback where and when possible.
- vi. Develop the banking and investment dealership license regime to attract qualified international talent and businesses to the Turks and Caicos.

Service Level and Modern Technology

Service commitment level should be raised to a higher standard and provided efficiently through modern technology.

- i. Public and private sector service providers should increase efficiency by incorporating more technology systems. For example, a systematic method for cross referencing submitted documentation with applicant or cross departmental references to status information.
- ii. Ensure that staff are held to a high standard of customer service.
- iii. Improve the overall experience of international and domestic arrivals and departures

Immigration Process

The immigration process should be more efficient while promoting appropriate local employment.

- i. Ensure that a local candidate is, where possible, selected for the potential of advancing upwards to the position being sought by the international applicant.
- ii. Provide more transparency of the process to promote national support, such qualifications for acceptance, statistics on local versus international employment, and more.
- iii. Establish a systematic process for approving immigration applications anonymously. Note that implementation of such a technology would allow staff to provide higher customer service and time to manage concerns or complaints.
- iv. Approve five (5) year work permits with consideration of renewal on the basis that seasoned applicants have many years' experience in an international environment and local replacements may well require more than 5 years of on the job training; may also include international job experience of local applicant.
- v. Provision of PRCs to the primary assistant of a high net worth individual while encouraging additional staff be acquired locally.

Breakout Session 3- Moderator: David Stewart Partner, Griffiths and Partners, Managing Director of Coriats Trust

Why should we grow the FS sector?

A National Discussion needed in the general public

The question posed was do we need to grow our domestic economy and why?

- i. An obvious response of yes but discussion divulged the concerns as to WHO are we growing the sector for, who will be the beneficiaries of these jobs and WHO will then benefit from

the income brought in. This highlighted the need for a wider discussion for those not directly involved in the financial sector or within that bubble to understand the benefits and the real impact the growth will have on them. There is a crucial need for that discourse in order to move forward as there needs to be clear consensus rather than an assumption that the question will provoke an answer of yes because due to a lack of wider understanding this isn't the case. For a clear strategy and policy to be established the fears, concerns and implications of those that aren't familiar with the sector must be listened to. Otherwise it will be viewed as a closed or elite sector and can have negative connotations socially, ultimately hindering its impact in TCI.

National Policy/Strategy articulation and its timeline

- i. A national strategy around development that can be presented to all the stakeholders so its clear where they fit in, what in it for them and the time horizon for this to be realized. The notion of offering these factors (5-year work permits, foreign investment etc.) without any accountability or timescale this breeds fear and disillusion. However, if expectations and clarity can be set initially it will allow persons to benchmark it against something. This must be realistic so it's understood e.g. in 5 or 10 years this is what you can expect from the industry, this is how the industry will impact residents in a positive way. Deliverables can be measured and if not met, there can be accountability and post correction. Clear articulation with clear deliverables and timeframe is easier to accept than blind faith.
- ii. National strategy should also outline the wider scope or secondary jobs that will result from having family offices or more banks present. E.g. support services, underwriters, etc. List these skills so its not assumed it is confined to lawyers, accountants and asset managers. Success stories should also be included in this strategy to drive it home.

Source of Government revenue

- i. This is not only restricted to direct revenue from development of sector but incidental revenue as a result of strong purchasing power from attracting ultra high net worth individuals to TCI who will spend which will overall lead to greater economic impact

Reputational issues- Growth leads to effective management of risks

- i. Growing the financial services industry does not lead to increased risk so the larger the industry is doesn't mean the risk is greater. It only takes one situation to destroy the reputation of TCI. The question is does having the numbers make you more equipped to manage risks? The answer is yes. The bigger the sector you will be able to attain more resources which will enable a more effective management of risks. i.e. more technology, more capacity, more funding. and using these resources. Argument for "going big or going home". If we don't go big, we are still stuck with these risks but by going big it can be justified the need for increased resources.

Hedge against a recession.

- i. Should there be a recession in North America TCI will be severely impacted as tourism is the driving force in the economy. The FS sector can remain effective unlike tourism in the event of a recession as UHNW individuals may have uncertainty for financial institutions in North America and consider stationing their wealth within institutions in the TCI based on advice regarding legislation and framework. Although not a definitive hedge it offers more diversity for the economy in the event of a recession and enables its functioning during this period.