



INDUSTRY BRIEFING

Opening Remarks

by

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Good Afternoon, Ladies and Gentlemen!

I would like to thank all of you for joining us this afternoon. The Commission welcomes this opportunity to meet stakeholders from the sectors of the financial services that we supervise and regulate. These include the investment funds, securities and capital markets, as well as financial and corporate services. This afternoon provides a setting for some useful dialogue on matters of mutual interest to us all. I will take this opportunity to share with you what the Commission has been doing and what it intends to do to effectively execute its mandate.

Before I commence the more serious part of my remarks, I would like to introduce the members of the Commission, who constitute its Board.

The global financial crisis, that we are currently experiencing, has created havoc on the more developed financial markets. While it has not impacted, to any great extent, our domestic financial sector, the global financial meltdown, through its adverse effect on incomes and employment in the developed economies has resulted in an economic downturn in the Bahamian economy through reduced demand for tourism and financial services.

The Commission, in canvassing its constituents in the capital markets to determine the impact of the global financial meltdown on their operations, was advised of the following:

- (i) A decrease in revenue streams due to a reduction in assets under management and reduced net asset values of investments funds due to a combination of declining asset values and increasing redemptions of investment funds, and
- (ii) Subsequent lay-off of staff due to a fall off in activity in the sector.

For international financial centres such as The Bahamas, it is to be expected that there will be some potential vulnerabilities for industry participants operating in or from these jurisdictions as a result of the global financial crisis. The Commission's mandate and mission are primarily that of protecting the interest of the investing public, through its regulation and surveillance of the markets to ensure equitable and fair trading. To achieve this it must be ensured that market participants are financially sound and can survive the reduced revenue streams and other negative impact of the global financial meltdown. Under the circumstance, the Commission has tightened its off-site monitoring of its constituents to ensure compliance of all provisions in the securities laws of The Bahamas.

The role of the Commission is to:

- (i) Formulate principles to regulate and govern investment funds, securities and capital markets;
- (ii) Maintain surveillance over investment funds, securities and capital markets ensuring orderly, fair and equitable dealings; and
- (iii) Create and promote conditions to ensure the orderly growth and development of the capital markets.

As you are aware, the Commission is also responsible for administering the Financial and Corporate Services Providers Act, 2000, having been appointed Inspector of Financial and Corporate Services effective January 1, 2008. The Commission also has a practice of promoting investor education because it is quite apparent that having an educated and informed investor, in addition to benefitting the investor, also assists the Commission in executing its mandate. I can advise that investor education is included as a function of the Commission in the draft Securities Industries Act that is currently out for industry consultation. The Commission also has the responsibility of consulting stakeholders in the industry with a view to implementing change to sustain and grow the industry.

Maintaining the respect of international regulators, the international financial community and our local market participants is extremely important.

After being appointed chairman of the Commission and listening to the concerns the industry had of the way the Commission conducted its affairs, it was obvious that some change and reform were needed. One of the major criticisms was that the Commission was not as responsive to the industry as might be expected. I and the Board had to develop a vision that would provide the direction, governance and proper regulatory framework for the Commission. We saw our role as setting the policies and goals for a regulatory framework that is responsive to the investment funds, securities and capital markets, while ensuring that laws, regulations and best practices are maintained.

These goals must be consistent with government policies, the needs of the industry, and the investing public. Management has used these goals to develop action plans which form the basis of the Commission's business and strategic plan.

The Board has established goals for 2009. These goals are presented in a document entitled, 'Statement of Priorities for 2009', which is posted on the Commission's website and forms part of your handouts. These will be presented in detail by the Executive Director, Mr. Hillary Deveaux.

The Commission has recently undergone a review of its operations by an independent consultant who has submitted a report to the Ministry of Finance

with a number of recommendations on improving the efficiency of the Commission and encouraging the growth of the industry. An analysis of the findings from this report is presently being completed by the Commission and, after consultation with the Ministry of Finance, and you, our stakeholders, action plans will be developed to supplement the Commission's short and long-term goals and to implement reforms where needed.

As I mentioned earlier, the draft Securities Industries Act was circulated for industry consultation and the draft Regulations will soon be available to the public. The new legislation, which we expect to be brought into force during 2009, is designed to address principles and objectives of the International Organization of Securities Organizations (IOSCO), in which the Commission has membership. The legislation will also comply with all provisions to qualify The Bahamas as an A signatory under the IOSCO Multilateral Memorandum of Understanding (MMoU) which facilitates exchange of information and cross-border cooperation. The Legal Counsel and Secretary to the Commission, Ms. Mechelle Martinborough, will speak more on the IOSCO MMoU later in her presentation. These developments will also assist in enhancing the reputation and marketability of the jurisdiction.

It is the view of the Board that an effective well-run Commission is extremely important for The Bahamas as a financial jurisdiction as investors and service

providers want to do business in an environment that is properly regulated, where best practices are followed, and governed by regulations and legislation that are world class.

You will also hear in the presentations, by the various department heads, of initiatives for which your support is required. These range from general regulatory compliance with regard to the financial and statistical data reporting, to legislative developments.

We recognize the challenges. We as the regulator are committed to successfully meeting them. We need your cooperation and support in this venture. Therefore we will work together to find and fix the problems. We are counting on you.

Thank you and, once again, welcome.

