

Chairman's Remarks

Introduction

Good Afternoon, I welcome all of you - our registrants and licensees, service providers, Members of the Commission, management and staff - to our fifth Annual Industry Briefing. This is my fourth briefing as Chairman of the Commission, and my first since taking on the role of interim Executive Director.

In support of its objective to promote dialogue on regulatory matters and financial market developments, this event is intended to provide an opportunity for the Commission to share developments, as well as provide a forum for discussion on current issues and concerns.

Strategic Direction

During last year's industry briefing, it was announced that the Commission was embarking on a three-year strategic plan (2010-2012) which consisted of a set of priority programs and projects considered necessary to achieve success over this period. These were presented as part of a Statement of Priorities for 2010.

An operational plan for the year 2010 was developed to implement the first phase of the strategic plan. I would like to briefly highlight some of our achievements during this past year and the initiatives that have been carried over into 2011.

1. I am pleased to report that the draft securities legislation has been tabled in Parliament and is scheduled to be debated shortly;

2. In line with our first strategic goal to review the regulatory operations of the Commission to identify areas of risk and required improvements, a self-assessment exercise was conducted to assess the Commission's operations against the Principles of the International Organization of Securities Commissions (IOSCO). The focus of this Financial Sector Assessment Program (FSAP) review is to gauge the stability of the financial sector and to assess its potential contribution to growth and development). This, along with a newly-introduced internal audit function, was incorporated into the operating framework to further enhance our operational processes and surveillance programs;
3. We produced the first edition of our statistical digest, 'The SCB Lighthouse', which will be produced on a semi-annual basis;
4. We are continuing to make enhancements to our database systems to improve our efficiency;
5. We achieved a significant accomplishment in mid January 2010 when the IOSCO Standing Committee 4 advised that it had ceased monitoring the international assistance and exchange of information activities of the Commission; and
6. A final matter of note is our continued efforts to promote efficiency, identify areas of risk, and comply with international standards.

Now in its second year of the three-year strategic plan, the Commission has produced a Statement of Priorities and an operational plan for 2011. I would like to now present these goals to you.

1. Review the regulatory operations of the Commission to identify areas of risk and required improvements

- a. This will include continued implementation of the recommendations arising from the FSAP review mentioned earlier, resulting in initiatives to develop surveillance programs.

2. Improve the efficiency of the Commission

These include:

- a. Improvement of technical skills of regulatory personnel;
- b. Improved surveillance and oversight programs;
- c. Continued enhancement of the Commission's database; and
- d. Improved document management systems.

3. Enhance internal systems and the work environment to support employee relations

This involves the implementation and enhancement of tools to motivate and engage the Commission's team members.

4. Enhance governance of the Commission

This will improve the internal and external reporting of the Commission, including enforcement of conduct codes for Commission Members and staff.

5. Improve the legislative framework of the Commission

This includes:

- a. Implementation of the new Securities Industries Act and Regulations (SIA);
- b. Continuation and completion of the review of the Investment Funds Act;
and
- c. Review of the Financial and Corporate Service Providers Act.

6. Ensure consistent, high standards of ongoing operations

In addition to the redefinition and restructuring of core regulatory operations to effect efficient implementation of the new SIA legislation, the Commission also hopes to build closer functional relationships with other financial sector regulators.

Legislative Updates and Regulatory Developments

I would like to expand a little on a few legislative and regulatory developments. The Securities Industry Bill was tabled in Parliament just before the Christmas Holidays. It is our understanding that the Bill is scheduled to be debated shortly. Once this Bill has been passed and enacted, the accompanying Securities Regulations will be brought into effect. In the interim, the Commission continues to work on the legislation's accompanying rules and guidelines, and a few of these are expected to be circulated for consultation within the next few weeks.

Last year, the Minister of State for Finance, the Honourable Zhivargo Laing, advised that The Bahamas expects to be fully compliant with the provisions of IOSCO's Multilateral Memorandum of Understanding (MMoU) when the new SIA is enacted. The MMoU governs consultation, cooperation and exchange of information between global securities regulators where there are suspected securities violations. This will enable the Commission to sign on as a signatory 'A' to this agreement. Such compliance is necessary as we work to adhere to international standards and to more easily facilitate the use of this jurisdiction for securities and investment business.

As mentioned earlier, we also anticipate conducting a thorough legislative review of the Investment Funds Act, 2003 and the Financial and Corporate Service Providers Act, 2000. These reviews will be conducted in consultation with industry participants and by benchmarking the securities and capital markets industry standards as set out in IOSCO's Objectives and Principles of Securities Legislation. We do look forward to your input during the consultation process.

On March 16, 2010, amendments to the investment funds legislation and SMART Fund Rules were passed by Cabinet. These amendments to the Investment Funds Act, 2003 included amending the definitions of 'Investment Fund', 'Professional Fund', and 'Recognised Foreign Fund', and extending the filing period for annual audited financial statements for investment funds from four months to six months. A rule was also passed to establish the SMART Fund Model 6, which brought into existence a side pocket-type fund model. The SMART Fund Rule pertaining to Model 4 is also being amended to clarify its application.

The Commission, acting in its capacity as 'Inspector of Financial and Corporate Service Providers', also took steps last year to bring into compliance all financial and corporate service providers operating without a license in the jurisdiction. Notices were issued by the Inspector and a number of financial service providers were able to become regularized as a result of this exercise.

Internal Developments

There have also been other internal developments within the Commission. We here at the Commission reached a significant milestone on June 20, 2010 with the celebration of our fifteenth anniversary. The week began with The Prime Minister proclaiming the week of June 20th to be The Securities Commission of The Bahamas' week and concluded with a church service and a luncheon honouring staff and recognizing team members who have held office for five or more years. Last year, we also saw the departure of our former Executive Director, Mr. Hillary Deveaux, who spent 13 years with the Commission and has been an integral part of its development. He continues to work closely with the Commission as he is now the capital markets advisor at the Caribbean Regional Technical Centre (CARTAC), a regional resource, which provides technical assistance and training in core areas of economic and financial management to member countries throughout the Caribbean, including The Bahamas. Indeed, CARTAC was instrumental in providing technical assistance in the development of the new SIA, the draft takeover code soon to be introduced, and development of proposed rules governing regulatory capital requirements and fees.

A key area of interest for the Commission is the promotion of investor education and protection. In 2010, the Commission remained committed to advancing its investor education initiatives under the theme - *Getting My Money Right*. The Commission's Investor Education Program is comprised of several modules that are designed on moving investors along a continuum that would satisfy a gamut of investors' educational needs. The Commission also partners with Government agencies and other industry participants, through joint ventures, to further its goals for investor education.

There are a number of initiatives and developments that are currently in progress, and which will enhance the Commission's effectiveness and efficiency in fulfilling its mandate. These include:

1. New leadership in some of the core regulatory functions that are exploring new and revised systems and processes;
2. Improved surveillance and inspection programs including increased supervision of the financial and corporate service providers;
3. Increased and more timely enforcement efforts;
4. Development and communication of guidelines for application processes and continuing obligations expected of licensees, registrants and issuers;
5. Renewed efforts to implement facilitated arrangements and protocols with the Central Bank to culminate in seamless, "one-touch" regulation and supervision of banks and trust companies that are involved in the securities and investment business; and
6. Transfer of the Examination function of Financial & Corporate Service Providers from the Compliance Commission to the Securities Commission. We note that this transfer, which is expected to be completed by March 31, 2011, will have little impact on the examination process as seen by licensees under this Act. We note that Auditors will continue to perform routine on-site examinations. We further note that this transfer will complete the process, started in 2008 of transferring all Financial & Corporate Service Provider regulatory oversight to the Securities Commission, as the Inspector in this regard.

We are challenged by the resources at our disposal. However the Commission remains committed to pursuing its goals and priorities, which emanate from the three primary pieces of legislation that we administer: the Securities Industry Act, 1999; the Investment Funds Act, 2003 and the Financial and Corporate Service Providers Act, 2000. We are hopeful that continuing improvements in our service and regulatory standards will be welcomed in the same spirit as new fee rules that will be discussed with market participants in the near future.

As I conclude, I note that although we may face challenges in our endeavours, the Commission affirms its commitment to accomplishing the goals that we have set out, fulfilling our mandate to protect investors through fair and equitable dealings, and continually monitor changes in the market environment. And now to shed light on our forward movements, our presenters today include our Heads of Departments that are involved in regulatory and enforcement activities.

I thank you for your keen interest today and encourage and welcome any input you may have during the question and answer segment.

Thank you once again.