



For Public Consultation:

SECURITIES INDUSTRY (CONTRACTS FOR DIFFERENCES) RULES, 2019

The Securities Commission of The Bahamas (“the Commission”), in its capacity as the regulator of securities, investment funds and the capital markets, has issued the Securities Industry (Contracts for Differences) Rules, 2019 (“the Rules”) for public consultation. The Rules may be found on the Commission’s website: <http://www.scb.gov.bs/consultation.html>.

Summary

The Rules introduce new registration requirements for firms and individuals carrying on securities business in Contracts for Differences (“CFDs”) or CFD related products, or marketing CFDs in or from The Bahamas. The Rules also create ongoing obligations and conduct standards for participants in the CFD space.

The Rules principally address:

- Consumer protection measures, specifically minimum margin requirements and negative balance protection;
- Restrictive measures for marketing of CFD products to retail clients;
- Education and experience requirements for individuals registered under the Rules;
- Conduct of Business measures based on transparency of transactions in CFDs; and
- Specific prudential requirements.

Scope

The Rules apply to any person carrying on CFD business in or from within The Bahamas, including firms currently registered under the Securities Industry Act.

Consultation Period

The consultation period commences Wednesday 27 March 2019 and ends on Monday 27 May 2019, during which time the Commission invites the public to share comments with regard to the Rules. Comments may be submitted via email to siaconsultation@scb.gov.bs.

Alternatively, comments may be submitted to:

The Executive Director

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Poinciana House North Building
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P.O. Box N-8347
Nassau, The Bahamas
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SECURITIES INDUSTRY ACT, 2011**(No. 10 of 2011)****SECURITIES INDUSTRY (CONTRACTS FOR DIFFERENCES) RULES, 2019**

The Securities Commission, in exercise of the powers conferred by section 149 of the Securities Industry Act, 2011, makes the following Rules

Part I - Preliminary	
1.	Citation
	These Rules may be cited as the Securities Industry (Contracts for Differences) Rules, 2019.
2.	Interpretation
	In these Rules -
	<p>“Act” means the Securities Industry Act;</p> <p>“binary option” means a contract or instrument that provides for only -</p> <ul style="list-style-type: none"> (a) a predetermined fixed amount if the underlying interest referenced in the contract or instrument meets one or more predetermined conditions; and (b) zero or another predetermined fixed amount if the underlying interest referenced in the contract or instrument does not meet one or more predetermined conditions; <p>“contract for differences” or “CFD” means</p> <ul style="list-style-type: none"> (a) a derivative other than an option, future, swap or forward rate agreement, the purpose of which is to give the holder a long or short exposure to fluctuations in the price, level or value of an underlying asset, irrespective of whether it is traded on a marketplace, and that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;¹ or (b) any other similar speculative investment as prescribed by the Commission <p>“effective date” means the date these Rules come into effect as set out in section 35;</p> <p>“exposure” means the total value of the exposure to the underlying asset that the CFD provides;</p> <p>“major stock market index” means –</p> <ul style="list-style-type: none"> (a) any of the following equity indices:

¹ ESMA definition

	<ul style="list-style-type: none"> (i) The Bahamas International Stock Exchange (BISX); (ii) Financial Times Stock Exchange 100 (FTSE 100); (iii) Cotation Assistée en Continu 40 (CAC 40); (iv) Deutsche Bourse AG German Stock Index 30 (DAX30); (v) Dow Jones Industrial Average (DJIA); (vi) Standard & Poor's 500 (S&P 500); (vii) NASDAQ Composite Index (NASDAQ), NASDAQ 100 Index (NASDAQ 100); (viii) Nikkei Index (Nikkei 225); (ix) Standard & Poor's / Australian Securities Exchange 200 (ASX 200); (x) EURO STOXX 50 Index (EURO STOXX 50); or <p>(b) any other regulated securities exchange recognized pursuant to the Securities Industry Act, 2011 (No.10 of 2011).</p> <p>“marketing” or “markets” includes advertising, soliciting business, or sending communications to clients or potential clients;</p> <p>“permitted sovereign debt” means debt instruments issued by or on behalf of the government of –</p> <ul style="list-style-type: none"> (a) The Bahamas; (b) A member state of the European Union that has adopted the Euro as its currency; (c) Canada; (d) Japan; (e) Switzerland; (f) The United Kingdom; (g) The United States of America; or (h) any other jurisdiction designated by Commission order <p>“retail client” means any client other than an accredited investor as defined in the SIR or as prescribed;</p> <p>CFD Supervisory Officer means the supervisory officer appointed by the firm to carry out the duties listed in section 9;</p> <p>“SIR” means the Securities Industry Regulations, 2012 made pursuant to the Act;</p>
3.	Application of the Act and SIR to these Rules
	The requirements set out in the Act and Parts IV (Books and Records), VI (Registered Firms and Individuals) and VII (Conduct of Business) of the SIR apply to all firms and individuals except as varied in these Rules.
Part 2 - Registered Firms and Individuals	
4.	Specific Registration Required

	<p>(1) Any person who carries on securities business in, or otherwise provides or markets, CFDs in or from The Bahamas must be registered for this activity with the Commission under the Act, SIR and these Rules.</p> <p>(2) The obligation to be registered in accordance with these Rules applies to all persons, notwithstanding any registration granted by the Commission prior to the effective date of these Rules.</p>
5.	Firm registration categories
	<p>The categories of registration permitted to carry on securities business in, or otherwise provide, CFDs are:</p> <p>(a) Firm registered to carry the activities listed in section 1(a) of the Part 2 of First Schedule to the Act that has also received the Commission’s express approval to deal in CFDs in accordance with these Rules; or</p> <p>(b) Firm registered under these Rules to carry on the activities listed in section 1(a) of Part 2 of the First Schedule to the Act, with its activities limited to dealing in CFDs.</p>
6.	New application for registration as a firm
	<p>(1) An applicant for registration under these Rules as a firm in either category under section 5 shall –</p> <p>(a) deliver a completed application Form CFD 1 of the First Schedule, specifying the securities activities that are proposed to be carried on by the firm;</p> <p>(b) submit the application, together with the information and documents specified.</p> <p>(2) An applicant may be required to provide supplemental information or clarification of the information initially provided in the application.</p>
7.	Application for CFD approval
	<p>(1) Commission approval must be obtained for CFD activities by firms that –</p> <p>(a) were registered prior to the effective date of these Rules, carried on securities business with respect to CFD on the effective date, and wish to continue to do so; or</p> <p>(b) were registered only under the SIR and now wish to engage in securities business with respect to CFD.</p> <p>(2) An applicant for approval under subsection (1) shall –</p> <p>(a) deliver a completed Form CFD 2 of the First Schedule, specifying the securities activities with respect to CFDs that are to be carried on by the firm;</p> <p>(b) deliver Form CFD 4 of the of the First Schedule, regarding the CFD Supervisory Officer; and</p> <p>(c) submit the application, together with the information and documents specified.</p>

	<p>(3) An applicant may be required to provide supplemental information or clarification of the information initially provided in the application.</p> <p>(4) For new applicants for registration under these Rules, the Commission grant of registration under these Rules will be deemed to be the grant of the express approval required under section 5.</p>
8.	Requirements
	<p>(1) The Commission may grant registration or approval under these Rules if the Commission is satisfied that the applicant –</p> <p>(a) is a company incorporated or registered under the Companies Act, 1992 or the International Business Companies Act, 2000;</p> <p>(b) is organized in a manner and has sufficient capacity and resources to carry out its proposed functions in compliance with the Act and regulations, including –</p> <p style="padding-left: 40px;">(i) having appropriate and sufficient systems and controls to perform its functions and manage its risks prudently;</p> <p style="padding-left: 40px;">(ii) having appropriate and sufficient insurance coverage; and</p> <p style="padding-left: 40px;">(iii) observing standards of solvency and levels of capital as required;</p> <p>(c) is fit and proper; and</p> <p>(d) meets such other requirements as may be prescribed.</p> <p>(2) The initial requirements for registration shall continue to be met by the person throughout the period of registration under the Act.</p>
9.	CFD Supervisory Officer
	<p>(1) In addition to the requirements in Regulation 40 of the SIR, a registered firm dealing in CFDs shall designate an officer to act as the CFD Supervisory Officer, who shall be –</p> <p style="padding-left: 40px;">(a) registered as such with the Commission; and</p> <p style="padding-left: 40px;">(b) responsible for the supervision of the CFD business undertaken by the firm to ensure it is carried out in compliance with the law, which responsibility cannot be delegated.</p> <p>(2) The CFD Supervisory Officer of the firm may also be the Compliance Officer, provided that person has the necessary qualifications and experience for both roles.</p>
10.	Regulatory capital
	<p>(1) A registered firm dealing in CFDs is required to maintain at all times adequate financial resources to –</p> <p style="padding-left: 40px;">(a) meet its business commitments;</p> <p style="padding-left: 40px;">(b) withstand the risks to which its business is subject; and</p> <p style="padding-left: 40px;">(c) meet the prescribed requirements.</p>

	(2) A registered firm dealing in CFDs shall maintain regulatory capital calculated in accordance with the capital formula prescribed by the Commission in Rules, which may include an additional amount to reflect the nature of the CFD business carried on.
11.	Reporting to the Commission
	(1) In addition to the reporting required under Regulation 49 of the SIR (1), a registered firm dealing in CFDs must deliver to the Commission no later than the 120th day after the end of its financial year the information set out in Form CFD 3 of the First Schedule for the year. (2) In addition to the reporting required under Regulation 50 of the SIR (1), a registered firm dealing in CFDs must deliver to the Commission no later than the 30th day after the end of the first, second, third and fourth quarter of its financial year the information set out in Form CFD 3 of the First Schedule for that quarter.
12.	Categories of individual registration
	In addition to the categories of individual registration set out in Regulation 56 of the SIR, an individual may be registered as a – (a) CFD Supervisory Officer; (b) Representative, trading (CFD).
13.	Application for individual registration.
	(1) Unless the Commission permits or requires otherwise, an applicant for registration as an individual under these Rules – (c) shall file an application in Form CFD 4 of the First Schedule specifying the category or categories of registration sought; and (d) the application shall be accompanied by the information and documents specified. (2) An applicant may be required to provide supplementary information or clarification of the information initially provided in an application.
14.	Requirements
	(1) The Commission may grant registration if it is satisfied that the applicant – (a) is at least 18 years of age; (b) is fit and proper; (c) does not have other interests, whether directly or indirectly, which may conflict with the conduct and integrity of the person’s employment with the registered firm; and (d) meets any other requirements that the Commission may deem appropriate. (2) The initial requirements for registration shall continue to be met by the person throughout the period of registration under the Act.
15.	Education and experience

	<p>In addition to the requirements set out in Regulation 59 of the SIR, an applicant for registration as a –</p> <p>(a) CFD Supervisory Officer shall have –</p> <ul style="list-style-type: none"> (i) no less than one year of CFD or derivative-related experience and have obtained one of the examinations recognized by the Commission from time to time for these purposes; or (ii) at least five years of securities-related experience, of which at least two years will be experience in derivatives or CFDs. <p>(b) Representative, trading (CFD) shall have –</p> <ul style="list-style-type: none"> (i) no less than six months of CFD or derivative-related experience and have obtained one of the examinations recognized by the Commission from time to time for these purposes; or (ii) at least ten years of securities-related experience, of which at least one year will be experience in derivatives or CFDs.
Part 3 - Conduct of Business Rules	
Division I – General	
16.	Systems and controls – compliance and risk management
	<p>In addition to the requirements set out in Regulation 74 of the SIR, the policies and procedures, systems and controls for a firm registered under these Rules must include –</p> <ul style="list-style-type: none"> (a) infrastructure for risk management including processes and contingency arrangements in the event the registered firm is unable to carry out its operations; (b) risk management process that integrate prudent risk limits, continuous risk monitoring and regular management reporting on its CFD exposures; (c) comprehensive internal control and audit procedures; and (d) systems to ensure all requirements under these Rules are met.
17.	Fair Pricing of CFDs
	<p>A registered firm must not –</p> <ul style="list-style-type: none"> (a) purchase CFDs for its own account from a client or sell CFDs for its own account to a client except at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the registered firm is entitled to a profit, and the total dollar amount of the transaction; and (b) purchase or sell CFDs as agent for a client for a commission or service charge in excess of a fair and reasonable amount, taking into

	consideration all relevant factors, including the availability of the securities involved in the transaction, the expense of executing or filling the customer's order, the value of the services rendered by the registered firm, and the amount of any other compensation received or to be received by the registered firm in connection with the transaction.
18.	Contract note
	<p>(1) Any registered firm that carries out any sale or purchase of CFDs on behalf of a client shall, within one business day after the sale or purchase was executed, make and transmit a contract note of the transaction to its client.</p> <p>(2) A contract note shall set out –</p> <ul style="list-style-type: none"> (a) a description of the CFD; (b) the number of units of the CFD; (c) the notional amount, quantity or volume of the underlying asset of the CFD; (d) the total price paid for the derivative and the per unit price of the CFD; (e) the name of the registered firm involved in the transaction; (f) whether the registered firm was acting as principal or agent; (g) the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day; and (h) any other information required by the Commission.
19.	General margin requirement
	A registered firm that enters into CFDs with its clients shall obtain margin from each customer, in the form of acceptable collateral, for the purpose of such trading.
Division II – Restrictions on marketing, distribution and sale of CFDs to retail clients	
20.	Prohibition on CFDs in crypto-assets
	A registered firm must not carry on securities business in CFDs with retail clients where the underlying asset is a crypto-currency or another crypto-asset without the consent of the Commission.
21.	Standardized risk warnings
	<p>(1) A registered firm must not market, publish or provide any communication, information, advertisement or public invitation regarding CFDs to a retail client, or disseminate such communication, information, advertisement or public invitation in such a way that it is likely to be received by a retail client, without including the following risk warning –</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>“CFD are complex instruments and come with a high risk of losing money rapidly due to leverage.</p> </div>

[insert percentage per provider]% of retail investor accounts lose money when trading CFDs with this provider.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.”

- (2) The risk warning must be modified as necessary to refer to the percentage of retail client accounts of the particular registered firm that lost money.
- (3) The risk warning shall include an up-to-date firm-specific percentage of the firm’s retail clients who have lost money, calculated in accordance with the method set out below.
- (4) The calculation in subsection (3) shall be performed every three months and shall cover the 12-month period preceding the date of the calculation.
- (5) For the purposes of the calculation in subsection (3), an individual retail client account shall be considered to have lost money if the sum of all realized and unrealized net profits on CFDs traded in that retail client’s account during the 12 month calculation period is zero or below zero.
- (6) The calculation in subsection (3) shall include all costs, fees, commissions and any other charges.
- (7) The calculation in subsection (3) shall not include:
 - (a) any retail client account that did not have an open CFD connected to it within the calculation period;
 - (b) any profits or losses from investments other than CFDs;
 - (c) all deposits of funds; and
 - (d) all withdrawals of funds.
- (8) The registered firm must retain records of the retail client accounts used for these calculations for five years.
- (9) Where the retail client has not approached the registered firm through a website or mobile application, the risk warning must be provided in writing in good time before the registered firm carries on any business for the retail client.
- (10) If, when required to perform the calculation in subsection (3), the registered firm has not entered into a single trade of a CFD with a retail client in the previous 12 months, the registered firm must use the following risk warning –

“CFD are complex instruments and come with a high risk of losing money rapidly due to leverage.

The majority of retail investor accounts lose money when trading CFDs.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.”

22.	Format of risk warning
	<p>(1) The relevant risk warnings in section 20 must be:</p> <ul style="list-style-type: none"> (a) prominent (b) contained within its own border and with bold and plain text as indicated (c) if provided on a website or via a mobile application, statically fixed and visible at the top of screen even when the retail client scrolls up or down the page; and (d) if provided on a website, included on each linked webpage on the website. <p>(2) The relevant risk warning, including the font size, should be proportionate, taking into account the content, size and orientation of the marketing material as a whole.</p>
23.	Requirement that margin posted by retail clients be in cash
	<p>(1) A registered firm shall not open a position in a CFD for a retail client unless the margin posted to open the position is in the form of money.</p> <p>(2) A registered firm shall not maintain an open position in relation to a CFD for a retail client unless the margin posted to maintain the open position is in the form of money.</p>
24.	Minimum margin requirements – retail clients
	<p>A registered firm must require a retail client to post margin to open a position in a CFD of at least equal to the following amounts –</p> <ul style="list-style-type: none"> (a) 0.5% of the value of the exposure that the trade provides when the underlying currency pair is composed of any two of the following currencies: Canadian dollar, Euro, Japanese yen, Pound sterling, Swiss franc or US dollar; (b) 1% of the value of the exposure that the trade provides when the underlying asset is permitted sovereign debt; (c) 1 % of the value of the exposure that the trade provides when the underlying asset is major stock market index, a currency pair composed of at least one currency not listed in (a) above, or gold; (d) 3.33% of the value of the exposure that the trade provides when the underlying asset is a commodity other than gold or a stock market index other than a major stock market index; (e) 10% of the value of the exposure that the trade provides when the underlying asset is an equity security or an asset not otherwise listed in (a) to (d); (f) 10% of the value of the exposure that the trade provides when the underlying asset is a crypto-currency or other crypto-asset.

25.	Use of funds in retail client account
	Funds held by a registered firm as margin in a retail client account may not be borrowed, charged or used by the registered firm for any other purpose.
26.	Margin close-out requirements for retail clients
	<p>(1) A registered firm must ensure a retail client's net equity in an account used to trade CFDs does not fall below 10% of the margin requirements as set out in section 23 required to maintain the retail client's open positions.</p> <p>(2) Where a retail client's net equity falls below 10% of the margin requirement, the registered firm must close the retail client's open position(s) as soon as market conditions allow or have the client add additional margin to become compliant with this section.</p> <p>(3) In this section, "net equity" means the sum of the retail client's net profit and loss on their open position(s) and the retail client's deposited margin.</p>
27.	Disclosure of margin close-out
	<p>(1) A registered firm must provide its retail clients with a clear description of how the retail client's margin close-out level will be calculated and triggered:</p> <p style="padding-left: 40px;">(a) before the retail client opens his or her first position; and</p> <p style="padding-left: 40px;">(b) before any change to the terms and conditions applicable to the retail client takes effect.</p> <p>(2) The description required by subsection (1) may be given to the client in writing or made available on a website.</p>
28.	Negative balance protection
	<p>(1) The liability of a retail client for all CFDs connected to the retail client's account is limited to the funds in that account.</p> <p>(2) For the purposes of subsection (1) –</p> <p style="padding-left: 40px;">(a) Funds in a retail client's account are limited to the cash in the account and unrealized net profits from open positions;</p> <p style="padding-left: 40px;">(b) "Unrealized net profits of all open positions" means the sum of unrealized gains and losses of all open positions recorded in the account; and</p> <p style="padding-left: 40px;">(c) Any funds or other assets in the retail client's account for purposes other than trading CFDs must be disregarded.</p>
29.	Restrictions on retail incentives
	<p>(1) Except as a rebate of trading expenses, a registered firm may not directly or indirectly provide a retail client with any incentive, whether monetary or non-monetary, when marketing, distributing or selling a CFD without the consent of the Commission.</p> <p>(2) For the purposes of subsection (1), information and research tools regarding CFDs are not considered to be incentives.</p>
Part 4 – Prospectus Exemption	
30.	Prospectus requirement exemption

	<p>The requirement to file a prospectus under section 83 of the Act does not apply to a distribution of CFDs if</p> <ul style="list-style-type: none"> (a) each purchaser has been provided with the risk warnings required under these Rules; (b) the distribution/trading is conducted by or through firms registered or exempt from registration under these Rules; and (c) [Consider if the Commission wants something else – like notice of the types & applicable terms of CFDs offered...]
Part 5 – Other	
31.	Trading in binary options with a retail client prohibited²
	<p>No person or company may market, advertise, offer, sell or otherwise trade a binary option with or to –</p> <ul style="list-style-type: none"> (a) a retail client; or (b) a person that was created, or is used, solely to trade a binary option.
32.	Prohibition on circumvention
	No person shall knowingly participate in activities the object or effect of which is to circumvent the requirements in these Rules, including as acting as a substitute for a provider of CFDs.
33.	Granting an exemption
	The Commission may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
34.	Transition provisions
	Until a date that is six months after the effective date of these Rules, the requirement to obtain approval from the Commission to carry on securities business in CFDs set out in section 7 of these Rules shall not apply to a person that is registered to carry on securities business and is engaged in CFD business on the effective date.
35.	Effective date
	This instrument comes into force on [insert date of publication in the Gazette].

²

FIRST SCHEDULE**PRESCRIBED FORMS****Form CFD 1**

**Application for Registration as a Registered Firm,
Including Dealing in Contracts for Differences
(under section 6 of the Rules)**

Item 1 – Name of Applicant

State full legal name of the Applicant.

Item 2 – Type of Registration Application

State the securities business(es) for which registration is sought –

- ~~Dealing as agent only, including underwriting~~
- Dealing as agent or principal, including underwriting
- Dealing as agent or principal, including underwriting, restricted to CFDs
- Arranging deals in securities
- Managing securities on a discretionary basis
- Advising on securities

Item 3 – Types of CFDs

Indicate types of contracts for Differences (CFDs) that the applicant is intending to trade

Contracts for Difference where the underlying are	Yes	No
Single securities – Equities		
Single securities – Debt instruments		
Foreign exchange		
Stock market indexes		
Commodities - gold		
Commodities – other (specify)		
Other (specify)		

Item 4 - Full Business Contact Details of Applicant

State the Applicant's principal business address and provide email address(es), telephone numbers and fax numbers. If the Applicant operates at more than one address in The Bahamas, provide details for each office.

Item 5 – Full Details on Security holders, Directors and Officers

Provide completed Form 4 under the Second Schedule to the SIR for each security holder³, director and officer of the Applicant.

If the securities of the Applicant are traded on a securities exchange in any jurisdiction, provide full details of listing.

Provide a list of all affiliates of the Applicant and indicate nature of relationship, business the affiliate is in, where incorporated etc.

Item 6 – Full Details on Persons to be Carrying on Securities Business on Behalf of Applicant

Provide completed Form x for each person who is to carry on securities business on behalf of the Applicant including the Chief Executive Officer, Compliance Officer, CFD Supervisory Officer and any representative to be registered.

Item 7 – Discipline History

State whether the Applicant or any director, officer or significant security holder of the Applicant has ever been –

- (a) disciplined by any stock exchange, regulatory authority or professional association in any jurisdiction or been denied admission, registration or renewal or had its membership or registration revoked;
- (b) declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud;
- (c) involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn;
- (d) dismissed from any office or employment or barred from entry to any profession or occupation; and
- (e) compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims.

If so, please provide full details.

Item 8 – Operational Capabilities

Provide a detailed description of the Applicant’s operational capabilities, including the physical premises, risk management systems, banking, clearing and custody arrangements, communication capabilities, as applicable.

Include a detailed description of the trading platform to be used to trade CFDs with clients.

Provide names and addresses of principal bankers, custodians, and other service providers.

Item 9 – Policies and Procedures

Provide a summary of the Applicant’s written supervisory, internal controls and risk management policies and procedures and infrastructure that address all aspects of the securities businesses to be carried on, including portfolio management, trading platform details, front and back office operations, operational controls, reporting policies, code of conduct, etc.

³ Note that where the Applicant is a publicly traded entity in The Bahamas or elsewhere, Form 4s are only required to be provided for significant security holders of the Applicant.

as applicable. In particular, these must include risk management processes that integrate prudent risk limits, continuous risk monitoring and regular management reporting on its CFD exposures.

Attach a complete copy of these policies and procedures.

Item 10 – Financial Statements

The following must be submitted:

Where the Applicant has been established within six months of the date of the application and Applicant has not commenced operations –

- (a) a statement from a senior officer of the Applicant confirming that the Applicant has not commenced trading since the date of establishment and that no financial statements have been produced or dividends declared; and
- (b) an audited statement of financial position, showing the minimum financial resources required as at a date not more than 21 days before the date of the application.

For all other Applicants –

- (a) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;
- (b) the auditor's report accompanying the audited financial statements; and
- (c) the most recent interim financial statements certified by the Chief Executive Officer and the Treasurer to be true and complete.

If the Applicant any significant security holders that are companies, the Applicant must also submit for each such security holder –

- (a) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;
- (b) the auditor's report accompanying the audited financial statements; and
- (c) the most recent interim financial statements certified by the Chief Executive Officer and the Treasurer to be true and complete.

Item 11 – Other Regulatory Approvals

If the Applicant is registered, licensed or authorized by any other regulatory authority in The Bahamas or elsewhere, provide details of that status, including name of authority, type of registration, license or authorization, date of approval, registration number, etc.

Item 12 – Business Plan

Provide a summary of the Applicant's business plan for the next three years, which shall include financial and operational projections and staffing requirements, a description of the products and services offered and the method by which they are to be offered, and the nature of the clientele of the firm. Include details on how the CFD activity(s) would be integrated with its other businesses, if any. Attach a complete copy of the detailed plan.

Item 13 – Contact Person at Applicant

Give the name, business telephone number and email address of a senior official of the Applicant who is knowledgeable about the application and who may be contacted to discuss it.

Item 14 – Date the Application

Item 15 – Certification and Signature

Include the signature of the Chief Executive Officer and Treasurer certifying the following statement:

“We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that

- a. the Applicant is currently in compliance with all the applicable provisions of the Act and these Regulations; and*
- b. the contents of this form and any attachments provided with this form are true, correct and not misleading.”*

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the Applicant’s written supervisory, internal controls and risk management policies and procedures, including a description of any risk management or other infrastructure in place.
 2. The arrangements made for execution and settlement of securities transactions and for custody of securities on behalf of customers.
 3. An organizational chart for the firm together with job descriptions for each position. (Include total number of employees in the company).
 4. Evidence of the Applicant’s good standing with the Registrar of Companies.
 5. Certified copy of the Applicant’s Memorandum and Articles of Association, or equivalent incorporation documents.
 6. Copies of required financial statements.
 7. Evidence that the company has adequate indemnity insurance on behalf of its directors, officers and employees.
 8. Evidence of the Applicant’s registration with any other regulatory authority, if applicable.
 9. Copy of the Applicant’s detailed business plan for the next three years, which shall include financial and operational projections, staffing requirements, a description of the products and services offered and the method by which they are to be offered, and the nature of the clientele of the firm.
 10. Completed Form 4 of the Second Schedule of the SIR for each security holder, director and officer.
 11. Completed Form CFD 4 for the Chief Executive Officer, Compliance Officer, CFD Supervisory Officer and each representative to be registered to act for the firm.
 12. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rule.
-

Form CFD 2

**Application by Registered Firm to be Approved
to Carry on Business in Contracts for Differences**
(under section 7 of the CFD Rules)

Item 1: Full name of Applicant:

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Item 2: License/Registration Number:

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Item 3 – Current Registration

Indicate the types of securities business for which the applicant is currently registered:

Dealing as agent only, including underwriting	
Dealing as agent or principal, including underwriting	
Dealing as agent or principal, including underwriting, restricted to CFDs	
Arranging deals in securities	
Managing securities on a discretionary basis	
Advising on securities	

Item 4 – Types of CFDs

Indicate types of contracts for Differences (CFDs) for which approval to trade is being sought:

Contracts for Difference where the underlying are	Yes	No
Single securities – Equities		
Single securities – Debt instruments		
Foreign exchange		
Stock market indexes		
Commodities - gold		
Commodities – other (specify)		
Other (specify)		

Item 5 – Activities in CFDs

Describe the activity(s) in CFDs proposed to be carried out by the applicant, including the manner in which and the types of clients (retail/institutional; domestic/foreign) with whom the applicant proposes to conduct business. Include details on how the CFD activity(s) would be integrated with its existing business.

Item 6 - Current Regulatory Capital

What is the current capital of the applicant and its regulatory capital, calculated in accordance with the applicable rules?

(If the capital does not meet the minimum capital requirement for the proposed activity(s) under the law, the applicant must provide a written undertaking to the Commission that the applicant will increase its capital to satisfy the minimum capital requirement upon approval of the new activity(s) by the Commission.)

Item 7: Details of Key Officers

With regard to the proposed activity(s) in CFDs, provide details of key officers (including names, addresses, relevant experience, qualifications, etc.) and key internal control procedures to satisfy the Commission that the applicant will be able to comply on an on-going basis with the requirements of securities laws and that the applicant has adequate means of supervising its officers and representatives.

Item 8. Potential conflicts of interest

Identify potential areas of conflicts of interest and explain in detail how such conflicts will be resolved or mitigated, including conflicts arising as a result of transactions with or outsourcing to related parties.

Item 9: Policies and Procedures

Provide a summary of the Applicant’s written supervisory, internal controls and risk management policies and procedures and infrastructure that address all aspects of the CFD to be carried on, including portfolio management, trading platform details, front and back office operations, operational controls, reporting policies, code of conduct, etc. as applicable. In particular, these must include risk management processes that integrate prudent risk limits, continuous risk monitoring and regular management reporting on its CFD exposures.

Attach a complete copy of these policies and procedures and a full description of any trading platform to be used.

Item 10 – Business Plan

Provide a summary of the Applicant’s business plan for the next three years with respect to CFDs, which shall include financial and operational projections and staffing requirements, a description of the products and services offered and the method by which they are to be offered, and the nature of the clientele of the firm.

Attach a complete copy of the detailed plan.

Item 11 – Any Other Relevant Details

Include any other information relevant to the Commission's consideration of this application.

Item 12 – Contact Person at Applicant

Give the name, business telephone number and email address of a senior official of the Applicant who is knowledgeable about the application and who may be contacted to discuss it.

Item 13 – Date the Application

Item 14 – Certification and Signature

Include the signature of the Chief Executive Officer and Treasurer certifying the following statement:

"We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that

- c. the Applicant is currently in compliance with all the applicable provisions of the Act and these Regulations; and*
- d. the contents of this form and any attachments provided with this form are true, correct and not misleading."*

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the Applicant's written supervisory, internal controls and risk management policies and procedures, including a detailed description of any infrastructure in place.
 2. Full description of any trading platform to be used to trade CFDs
 3. The arrangements made for execution and settlement of CFD trades and for custody of margin held for customers.
 4. An organizational chart for the firm together with job descriptions for each position. (Include total number of employees in the company).
 5. Copy of the Applicant's detailed business plan for the next three years, which shall include financial and operational projections, staffing requirements, a description of the products and services offered and the method by which they are to be offered, and the nature of the clientele of the firm.
 6. Completed Form 4 of the Second Schedule of the SIR for each security holder, director and officer (if not previously files).
 7. Completed Form CFD 4 for the CFD Supervisory Officer and each representative to be registered to act for the firm in CFDs.
 8. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rule.
-

Form CFD 3

Operational Report – Contracts for Differences

(under section 11 of the Rules)

As of and for the Period ending: _____

(Specify - Annual or Quarterly Report)

Note that this Report is required in addition to Form 13 under the SIR

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

CFD TRADING STATISTICS

	Retail Clients	Non-Retail Clients
Number of accounts trading CFDs		
Total number of CFD trades executed		
Number of CFDs traded for period		
CFDs		
Other		
Value of CFDs traded for period		
CFDs		
Other		

Percentage of retail accounts that lost money⁴	
Aggregate retail losses	

⁴ Calculated as set out in section 21 of these Rules

Certification regarding retail margin rule	
The Registered Firm is in compliance with the retail margin requirements set out in sections 23 to 28 of these Rules	Yes <input type="checkbox"/> No <input type="checkbox"/> (if no, attach full details, including the actions that are being taken to rectify the problems.)

Include the signature of the Chief Executive Officer, Treasurer or other senior officer certifying the following statement:

"I, the undersigned, hereby affirm that to the best of my information, knowledge and belief that

- a. The Applicant is currently in compliance with all the applicable provisions of the Act and the Regulations and these Rules; and*
- b. The contents of this form and any attachments provided with this form are true, correct and not misleading."*

A fee is required to be submitted with this form. The appropriate fee can be found in the Fee Rule.

Form CFD 4

Application for Registration as CEO, Compliance Officer, CFD Supervisory Officer or Registered Representative of Registered Firm

(under section 13 and Form CFD 1 of the Rules)

General Instructions: If insufficient space is provided, please attach a separate sheet of paper.

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

i. Personal details

1. Name of the registered firm.	
2. Full legal name of Applicant: Surname, Given names	
3. List any previous names of the Applicant.	
4. Indicate role(s) for which applying	Chief Executive Officer: <input type="checkbox"/> Compliance Officer: <input type="checkbox"/> CFD Supervisory Officer: <input type="checkbox"/> Representative –

	Trading (Securities other than CFD): <input type="checkbox"/> Trading (CFD) <input type="checkbox"/>
5. Indicate if this is an application for reinstatement of a previous registration	No <input type="checkbox"/> Yes <input type="checkbox"/> (if yes, attach full details)
6. Home address	
7. Previous home addresses during the last ten years (with relevant dates)	Previous address 1: Dates at this address: Previous address 2: Dates at this address: Previous address 3: Dates at this address:
8. Date of Birth Place of birth (including town, state and country)	
9. Citizenship	The Bahamas <input type="checkbox"/> Other <input type="checkbox"/> _____
10. Identification number (Passport No., Voters Registration No., National Identification No., Social Security No., Tax Identification No. or specify other type)	Number: Type:

B. Employment and Educational History

11. Present occupation or employment including: <ul style="list-style-type: none"> - the name and address of the employer, - the nature of business, - title of position held, and - relevant start date Provide the name, position, telephone number of a reference	
12. Prior occupations and employment during the last ten years, including: <ul style="list-style-type: none"> - the name and address of the employer, - the nature of business, - title of position held, and 	

<p>- relevant start date</p> <p>For each employer, provide the name, position and telephone number of a reference</p>	
<p>13. List companies that Applicant –</p> <p>(a) currently is a director or significant security holder</p> <p>(b) has been a director or significant security holder at any time during the last ten years?</p> <p>(specify the name of the entity, the country of incorporation, and the nature of business in each case)</p>	<p>(a) Current director or significant security holder</p> <p>(b) Previous director or significant security holder</p>
<p>14. Describe the formal education or training the applicant has in securities, derivatives or CFD-related activities (including qualifications and year in which they were obtained).</p>	
<p>15. Do you have any other professional qualifications (e.g. lawyer, accountant, etc.)?</p>	<p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> (if yes, attach full details)</p>
<p>16. Are you or have you ever been a director, officer, security holder, or employee of any other entity registered with the Commission? If yes, please provide details</p>	<p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> (if yes, attach full details)</p>
<p>17. Have you ever been licensed as a registered representative or similar capacity in any other jurisdiction?</p>	<p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> (if yes, attach full details, including copy of evidence of such registration)</p>

C. Discipline History

<p>18. Have you or any person with which you were associated as a director, security holder, manager, officer or significant security holder, in any jurisdiction, been disciplined by any stock exchange, securities regulatory body or professional association or been denied admission, registration or renewal or had a membership or registration revoked?</p>	<p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> (if yes, attach full details)</p>
<p>19. Have you or any person with which you were associated as a director, security holder, manager, officer or significant security holder, in any jurisdiction ever been declared bankrupt, been convicted of a crime or been sued under</p>	<p>No <input type="checkbox"/></p> <p>Yes <input type="checkbox"/> (if yes, attach full details)</p>

any commercial law, securities law, companies law or law concerning fraud?	
20. Have you, at any time, been involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn?	No <input type="checkbox"/> Yes <input type="checkbox"/> (if yes, attach full details)
21. Have you, in any jurisdiction, been dismissed from any office or employment or barred from entry to any profession or occupation?	No <input type="checkbox"/> Yes <input type="checkbox"/> (if yes, attach full details)
22. Has any person with which you were associated as a director, manager, officer or security holder, in any jurisdiction, been compulsorily wound up or made any arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either while you were associated with it or within one year after you ceased to be associated with it.	No <input type="checkbox"/> Yes <input type="checkbox"/> (if yes, attach full details)
23. In carrying out your duties will you be acting on the directions or instructions of any other person?	No <input type="checkbox"/> Yes <input type="checkbox"/> (if yes, attach full details)

I, the undersigned, hereby affirm that to the best of my information, knowledge and belief the contents of this form and any attachments provided with this form are true, correct and not misleading and that I am in compliance with all the applicable provisions of the Act. I undertake that, as long as I continue to be the Chief Executive Officer, Compliance Officer, CFD Supervisory Officer or registered representative of the registered firm, I will

- continue to comply with all the applicable provisions of the Act, and
- notify the Commission immediately of any material changes affecting the completeness of the answers to any of the questions above.

I also hereby authorize the Commission to make such enquiries and seek such further information as it thinks appropriate in verifying the information given in this Application, or in any other documents submitted as part of this application, for the purposes of performing its due diligence and background checks. I understand that the results of these checks may be disclosed to the registered firm that submitted this application.

Date:	Signature:
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Sponsoring Registered Firm

Provide intended date of employment of this Applicant:	
Notice: The Registered Firm is required to give immediate notice to the Commission if the Applicant does not commence employment with the Registered Firm on the date noted above.	

Authorization from Senior Officer or Director of Registered Firm

Date:	Signature:
	Title:

Other documents to be attached:

1. A copy of Work Permit or Permanent Residence Permit (for non-Bahamian citizens).
2. A copy of the relevant pages of the applicant’s passport (to include name, date of birth, nationality, signature, expiration date and photograph).
3. Applicant’s current Police Certificate (not more than three months old) or an affidavit in acceptable form, if the Police Certificate is not available.
4. Three recent photographs of Applicant, individually signed on the back by the Applicant.
5. Copy of any relevant degree, educational course(s) passed.
6. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rule.