



SECURITIES COMMISSION OF THE BAHAMAS BICA ACCOUNTANTS' WEEK 2012



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SECURITIES COMMISSION OF THE BAHAMAS

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REGISTRATION OF FIRMS UNDER THE SECURITIES INDUSTRY ACT, 2011

- Application and Registration Process
 - Re-categorization Process



Presenter: Sherinn Munnings – Senior Officer, Authorizations

THE APPLICATION PROCESS

REQUIREMENTS FOR REGISTRATION

Firms seeking to conduct one or more securities related activities must meet all of the requirements for registration by submitting the following:

- Application Form (Form 8)
- Application fee
- Statement of Fitness and Propriety
- Business Plan and Organizational Chart
- AML and Internal Control Procedures
- Register of Shareholders, Directors and Officers
- Balance Sheet verified by an **approved auditor**, Statement of Managed Accounts or confirmation from attorney that an amount is being held in escrow (New Companies)
- Audited Financial Statements for the past two years (Established Companies)



QUALIFICATIONS FOR APPROVAL (AUDITORS)

Pursuant to Regulation 12 of the SIR 2012, in order to be recognized as an approved auditor, an applicant must –

- Be licensed under the Public Accountants Act, 1991
- Be a licensee of BICA in good standing
- Not be barred or suspended by the Commission
- Not be barred or suspended by any domestic regulatory authority or overseas regulatory authority

Pursuant to Regulation 13 of the SIR 2012 an approved auditor shall –

- Comply with the International Code of Ethics for Professional Accountants of the International Federation of Accountants
- Be independent of the persons being audited

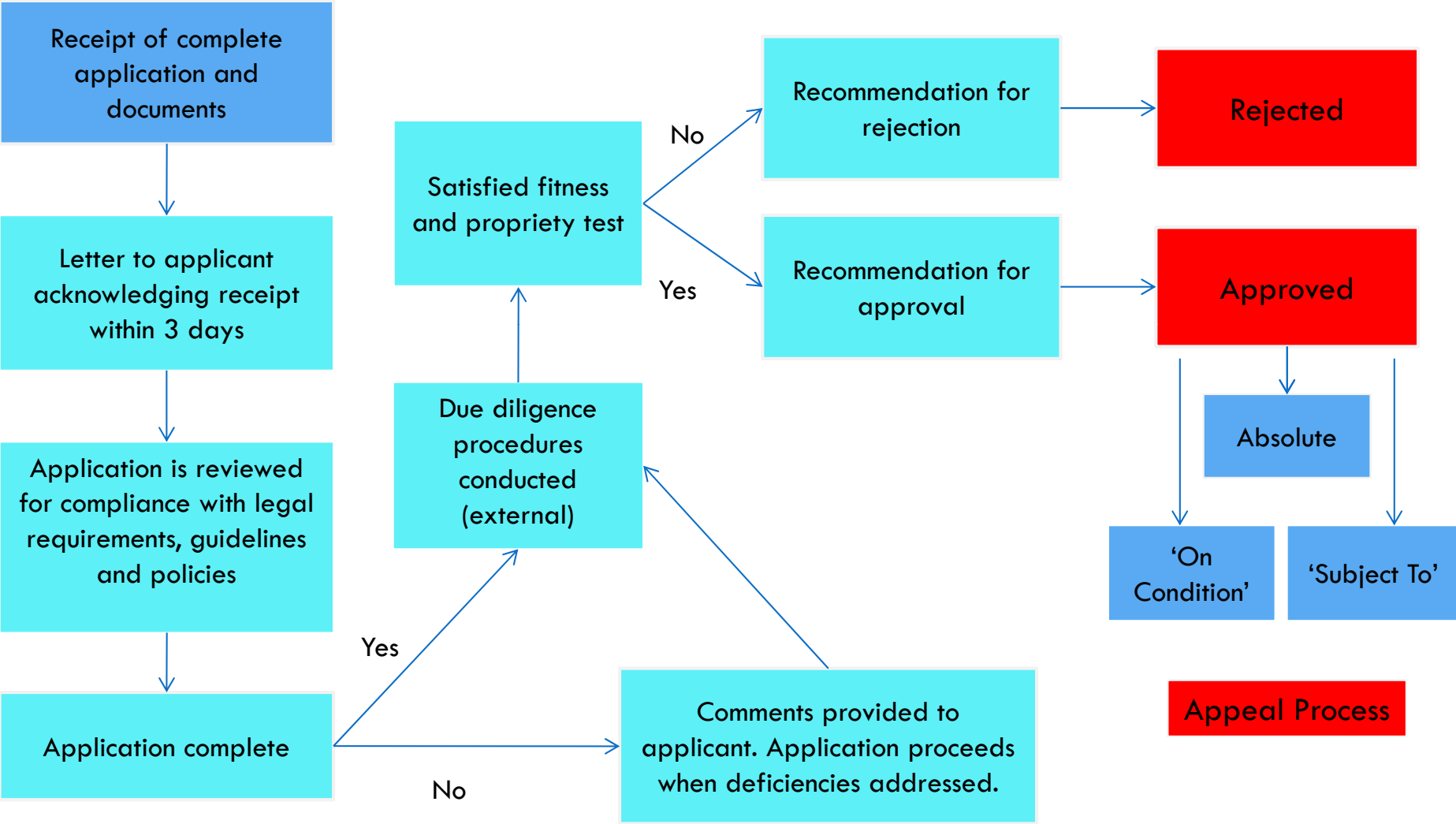


THE APPLICATION PROCESS: KYC REQUIREMENTS

- Certified copy of a Passport or other document that verifies the applicant's identity
- Work Permit or Certificate of Permanent Residency with the right to work (for non-Bahamian citizens)
- Statement of Fitness and Propriety, accompanied by:
 - CV
 - Police Certificate
 - Character reference letters
 - Financial reference letter
- CEO, Compliance Officer and Registered Representative
 - Job Description
 - Evidence of academic and professional qualifications
 - Evidence of good standing with professional/licensing bodies



THE APPLICATION PROCESS CONT'D



RE-CATEGORIZATION PROCESS

FIRM REGISTRATION CATEGORIES

Part 2 of the First Schedule of the SIA, 2011 details the securities activities or firm registration categories.

- **Dealing in Securities** - Buying, selling, subscribing for or underwriting securities as an agent or principal.
- **Arranging Deals in Securities** – Making arrangements with a view to another person (whether as agent or principal) buying, selling subscribing for or underwriting securities, or a person who participates in the above.
- **Managing Securities** – Managing securities belonging to another person in circumstances involving the exercise of discretion.
- **Advising on Securities** – Persons offering advisory services to a portfolio/person where no discretion is exercised will require registration in this activity.



RE-CATEGORIZATION PROCESS FIRMS

Regulation 146 of the SIR, 2012 prescribed how Firms previously registered under the SIA, 1999 were transitioned under the SIA, 2011.

CATEGORY UNDER THE SECURITIES INDUSTRY ACT, 1999	ACTIVITY UNDER THE SECURITIES INDUSTRY ACT, 2011
BROKER DEALER CLASS I	Dealing in Securities as Principal and/or Agent; Managing Securities; Arranging Deals in Securities; and Advising on Securities.
BROKER DEALER CLASS II	Dealing in Securities as Agent Only; Managing Securities; Arranging Deals in Securities; and Advising on Securities.
SECURITIES INVESTMENT ADVISOR	Managing Securities, and Advising on Securities.



INDIVIDUAL REGISTRATION CATEGORIES

- **Trading Representative** – A person involved in buying and selling shares, bonds and assets for investors. They make prices and execute trades, seeking to maximize assets or minimize financial risk.
- **Discretionary Management Representative** – A person managing securities belonging to others involving the exercise of discretion. (e.g. Portfolio Managers)
- **Advising Representative** – A person who makes any recommendations or otherwise gives investment advice regarding securities; manages accounts or portfolios of clients; determines which recommendation or advice regarding securities should be given; and/or provides investment advice.



RE-CATEGORIZATION PROCESS INDIVIDUALS

- Regulation 151 of the SIR, 2012 prescribed how individuals previously registered under the SIA, 1999 were mapped under the SIA, 2011.

CATEGORY UNDER THE SECURITIES INDUSTRY ACT, 1999	ACTIVITY UNDER THE SECURITIES INDUSTRY ACT, 2011
PRINCIPAL, BROKER, STOCKBROKER	Representative, Trading
SECURITIES INVESTMENT ADVISOR	Representative, Discretionary Management
ASSOCIATED PERSON	Representative, Advising

- Registration of CEO and Compliance Officer were new requirements under the SIA, 2011 prescribed in Regulation 40 of the SIR, 2012.



RE-CATEGORIZATION PROCESS

Timeline	Action
February – March, 2012	Formal letters sent to registrants advising how they were mapped and re-categorized pursuant to the transitional provisions.
July 30, 2012	Deadline for submission of Annex I or formal request for change of categories and required supporting documents.
September – October, 2012	Information submitted reviewed by the Commission and determination with respect to requested changes communicated.
November – December, 2012	Registrants advised of determinations with respect to requested changes and new licenses issued identifying appropriate categories of registration.
December 30, 2012	Deadline for registration of Compliance Officers.



FREQUENTLY ASKED QUESTIONS

	FAQ/QUERY	SCB RE-CATEGORIZATION RESPONSE
1.	Do individuals require multiple registrations where the firm is mapped to more than one category of securities business?	An individual must be registered for each category of securities business he holds himself to be engaged in.
2.	If a Firm is mapped to Managing Securities and Advising on Securities is Managing Securities correct for discretionary management of its clients with a management agreement as well as for 'advising' those clients?	Yes. Persons engaged in "Managing Securities" and offering advising services only to the specific portfolios over which they have discretion, are not required to obtain separate registration in the category of "Advising on Securities".
3.	If the company, through one individual only, also gives advice to other persons who may not have a discretionary management agreement with the company, would the Company and the individual require an additional category of registration?	Yes. Where a person is offering advisory services to a portfolio/person where no discretion is exercised registration in the category of "Advising on Securities" is required.





CONTINUING OBLIGATIONS RELATED TO THE SECURITIES INDUSTRY ACT, 2011 AND THE INVESTMENT FUND ACT, 2003

- Key Obligations under the SIA and IFA
- Financial and Material Change Reporting Requirements
- New Requirements for Auditors under the SIA



Presenter: Kaylisa Adderley – Asst Manager, MSD

CONTINUING OBLIGATIONS

- **Standing Requirements** – i.e. payment of annual renewal fees, filing of annual information update forms;
- **Capital and Financial Reporting Requirements** – i.e. Interim and Annual audited financial statements
- **Material Change Reporting Requirements** – A material change is defined as any change that is reasonably expected to have a significant impact on the business operations of the registrant.



CONTINUING OBLIGATIONS

FINANCIAL REPORTING REQUIREMENTS

THE SECURITIES INDUSTRY ACT, 2011

Interim Financial Statements – **Filed within 30 days of the end of each quarter**

Audited Financial Statements – **Filed by the 120th day after the end of each fiscal year.**

Capital Requirements – **Maintain at all times**

Indemnity Insurance – **Maintain at all times**

THE INVESTMENT FUNDS ACT, 2003

Audited Financial Statements – **Filed by the 120th day after the end of each fiscal year.**

Capital Requirements – **Maintain at all times**

Indemnity Insurance – **Maintain at all times**



CONTINUING OBLIGATIONS

MATERIAL CHANGE REPORTING REQUIREMENTS

THE SECURITIES INDUSTRY ACT, 2011

Notice of Change in Auditor

Transactions affecting financial resources – Prior approval is required

Notification of Liquidation – Prior approval is required

THE INVESTMENT FUNDS ACT, 2003

Notice of Change in Auditor

Change in Transfer or disposal of shares (Administrator) – Prior approval is required

Notification of Liquidation



REQUIREMENTS FOR AUDITORS

Auditors required to be registered

Annual financials audited by approved auditors

Commission has ability to impose additional duties

- Additional information reported;
- Expanding scope of the audit; and
- Requiring special examinations.





CHANGES FOR THE EXAMINATION OF FINANCIAL & CORPORATE SERVICE PROVIDERS

- New FCSP Authorized Agent Application Form
- New FCSP Examination Scope
- Interim Measures



Securities Commission of The Bahamas

NEW FCSP AGENT APPLICATION

As you are aware, in order to act as an agent of the Inspector, conducting the annual onsite examination of a financial & corporate service provider, an application form must be completed. The form is available on the Commission's website under FCSPs (www.scb.gov.bs).



NEW FCSP EXAMINATION SCOPE

Next year, the Inspector will move from the Anti Money Laundering (AML)/Counter Terrorism Financing(CTF) based examination to a full scope exam. The scope will still encompass the Financial Transaction Reporting Act (FTRA) and its accompanying Regulation.



INTERIM MEASURES

The new exam program will be used in 2013 for the 2012 exam period, by approved accountants. The Commission will arrange an overview of the program with its agents.

Commencing 2014, it is envisioned that the exam will be brought in-house. This initiative is currently being considered by the Board.



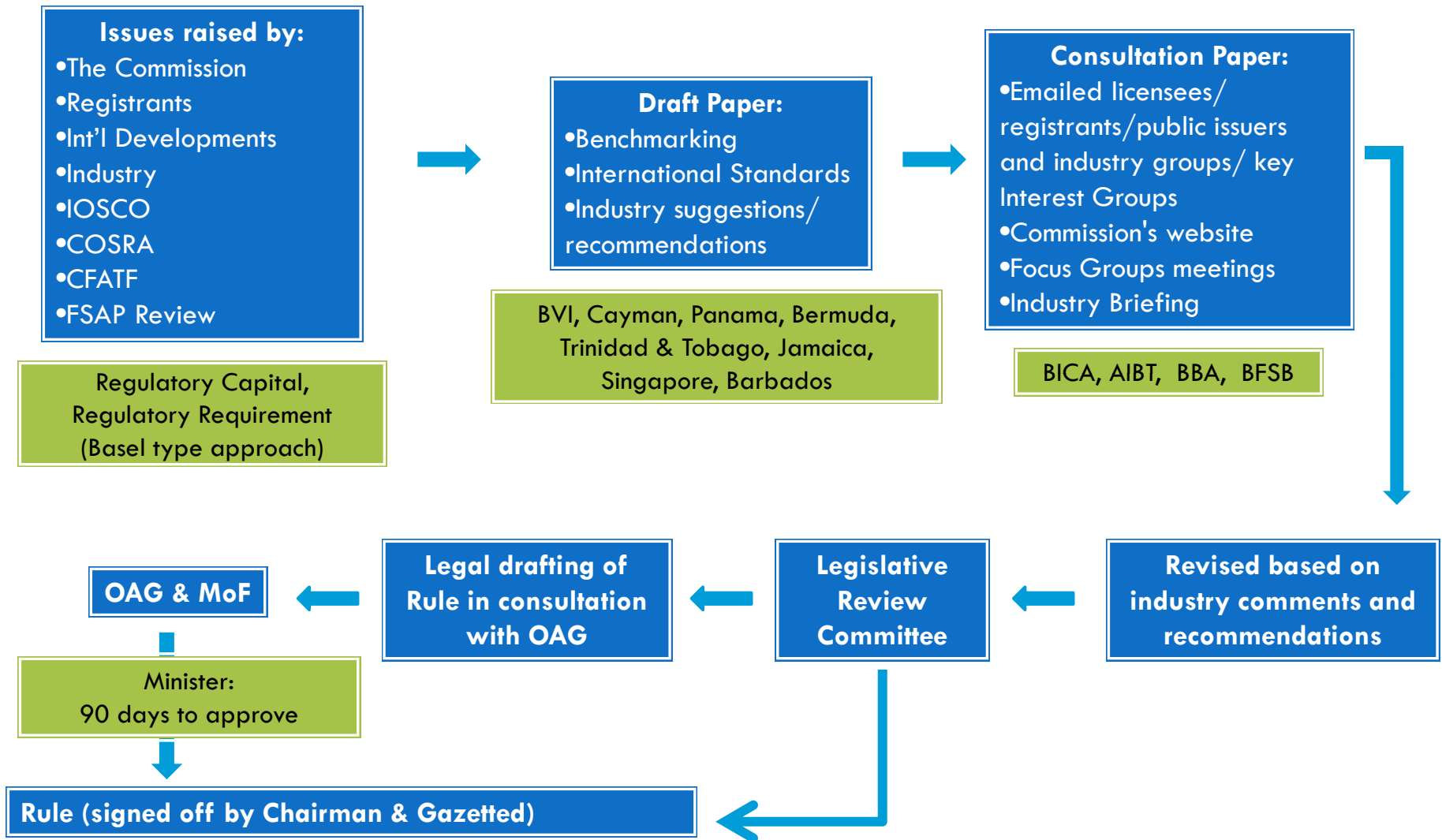


CONSULTATION PROCESS



Presenter – Sandra Duncombe, Dept. Manager –Special Projects

CONSULTATIVE PROCESS



CONSULTATIVE PAPERS

CONSULTATION PAPER	CONSULTATIVE PERIOD
Regulatory Capital Framework	15 May 12 – 31 Jul. 12
Outsourcing of Material Functions	15 May 12 – 31 Jul. 12
Licensing of Compliance Officers	15 May 12 – 31 Jul. 12
Proposed IFA & FCSPA Fees Regime	25 May 12 – 31 Jul. 12
Fitness & Propriety Criteria of Applicants for Regulated Entities	19 Jul. 12 – 1 Sept. 12
Liquidity Risk Management	19 Jul. 12 – 1 Sept. 12
Corporate Governance for Regulated Entities	3 Aug. 12 – 1 Oct. 12
Management of Related Party and Large Exposures	3 Aug. 12 – 1 Oct. 12
Bahamas Takeover Codes	3 Aug. 12 – 1 Oct. 12





UPCOMING EVENTS

- **SIA, 2011 Industry Briefing**
 - Wednesday, November 14
 - Nassau Sheraton
 - 9:30 a.m.
- **2013 Events Scheduled for Quarter 1:**
 - Industry training on Regulatory Capital
 - Focus Group Meeting on The Bahamas' Takeover Codes
 - AML/CFT training for FCSPs

For additional information on the SCB please visit: www.scb.gov.bs

Comments and/or questions can be submitted to email: info@scb.gov.bs

