

MEDIA RELEASE

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SCB Releases 2019 Examinations Priorities

The Risk Analytics and Examinations Department of the Securities Commission of The Bahamas (“the Commission”) recently released its 2019 examination priorities, highlighting the top risk areas identified for its registrants and licensees.

The Commission’s executive director, Ms. Christina Rolle, said dissemination of the priorities was an important element of the Commission’s risk based supervision programme, as it provides the industry with insight into where the Commission perceives the greatest risks are.

“As the Commission moves deeper into its implementation of risk-based supervision, we want to demonstrate good leadership and be transparent about our risk assessments and observations,” Ms. Rolle said. “This information will help responsible registrants and licensees to ensure they too are focused on these areas and, where necessary, that they take appropriate measures to manage those risk factors.”

The Commission’s Risk and Analytics Department, formed May 2018, will be responsible for the examinations. According to Ms. Lesley Pearson, the department’s manager, the priority focus areas identified for 2019 are:

- **AML/CFT Thematic Reviews of Financial and Corporate Service Providers** – examiners will be conducting focused reviews of all FCSPs for compliance with applicable anti-money laundering requirements, sufficiency of KYC documentation and the effective management of IBCs including the maintenance of accounting records.
- **Risk Management Including Self Risk-Assessment and Client Risk-Rating Framework** – the unit will assess the effective implementation of self risk-assessment and client risk-rating frameworks for SIA/IFA/FCSP licensees which are now required by the Financial Transactions Reporting Act, 2018.
- **Business Conduct and Risk Profile** – examinations under this focus will include a review of large entities that potentially pose a systemic risk to the jurisdiction (i.e. employs a large number of staff; manages a large number of client assets) and have operations across multiple industries (i.e. securities, banking, insurance). Additionally, examiners will perform an assessment of other identified risk areas, inclusive of new product lines introduced by its registrants, capital adequacy levels, and corporate governance.

- **Cybersecurity** - all examination programs will include a review of cybersecurity with an emphasis on disaster recovery, data management and accessibility, data protection and retention, as well as proper configuration of network storage devices.

The Commission took a number of factors into account in determining the priority focus areas. These included: deficiencies identified in The Bahamas' most recent mutual evaluation report by the Caribbean Financial Action Task Force; the promulgation of the Register of Beneficial Ownership Act, 2018 and the Commercial Entities (Substance Requirements) Act, 2018, and the results of the 2018 preliminary risk rating exercise for all licensees and registrants.

The areas of priority are not the sole areas of risk that will be addressed in the Commission's examinations. Under a risk-based supervisory approach, the nature and scope of any on-site examination is determined by the potential risk in a licensee's operations, products offered, financial position, and other factors.

The risk-based approach helps to focus supervisory attention where it perceives the greatest risk is across its regulatory scope, which comprises more than 150 registered firms (including a marketplace and clearing facility), nearly 1000 investment funds and fund administrators and over 350 financial and corporate service providers.

Examination results serve to enhance the Commission's risk monitoring process as well as improve industry standards and identify and address areas of market misconduct.

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Editor's Information:

1. **The Securities Commission of The Bahamas ("the Commission") is a statutory body established in 1995 pursuant to the Securities Board Act, 1995. That Act has since been repealed and replaced by new legislation.**
2. **The Commission's mandate is now defined in the Securities Industry Act, 2011 (SIA, 2011).**
3. **The Commission is responsible for the administration of the SIA, 2011 and the Investment Funds Act, 2003 (the IFA), which provides for the supervision and regulation of the activities of the investment funds, securities and capital markets.**
4. **The Commission, having been appointed Inspector of Financial and Corporate Services effective 1 January 2008, is also responsible for administering the Financial and Corporate Service Providers Act, 2000.**
5. **The functions of the Commission are to:**
 - **advise the Minister on all matters relating to the capital markets and its participants;**
 - **maintain surveillance over the capital markets and ensure orderly, fair and equitable dealings in securities;**
 - **foster timely, accurate, fair and efficient disclosure of information to the investing public and the capital markets;**
 - **protect the integrity of the capital markets against any abuses arising from financial crime, market misconduct and other unfair and improper practices;**
 - **promote an understanding by the public of the capital markets and its participants and the benefits, risks, and liabilities associated with investing;**
 - **create and promote conditions that facilitate the orderly development of the capital markets;**

- **and perform any other function conferred or imposed on it by securities laws or Parliament (SIA, 2011, s.12).**