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# INDUSTRY BRIEFING

FINANCIAL AND CORPORATE SERVICE PROVIDERS

Wednesday September 19, 2012



Securities Commission of The Bahamas –  
Inspector of Financial and Corporate Service Providers



# DAVE SMITH, EXECUTIVE DIRECTOR — WELCOME REMARKS



Securities Commission of The Bahamas —  
Inspector of Financial and Corporate Service Providers

# PURPOSE OF INDUSTRY BRIEFING

This Briefing is designed to provide stakeholders in the financial and corporate services industry an opportunity for dialogue on issues and trends as we continue our goal of fostering a stronger relationship with the industry.



# TODAY'S DISCUSSION POINTS

Ongoing issues and developments including the following:

- Fees
- Definition of Financial Services and Corporate Services
- Ongoing obligations
- Legislative developments



# THE LICENSING OF FINANCIAL AND CORPORATE SERVICE PROVIDERS

- Application and Licensing Process
- Revised Definition of Financial Services
- Requirements Regarding the Appointment of Money Laundering Reporting Officers



Presenter: Sherinn Munnings – Senior Officer, Authorizations

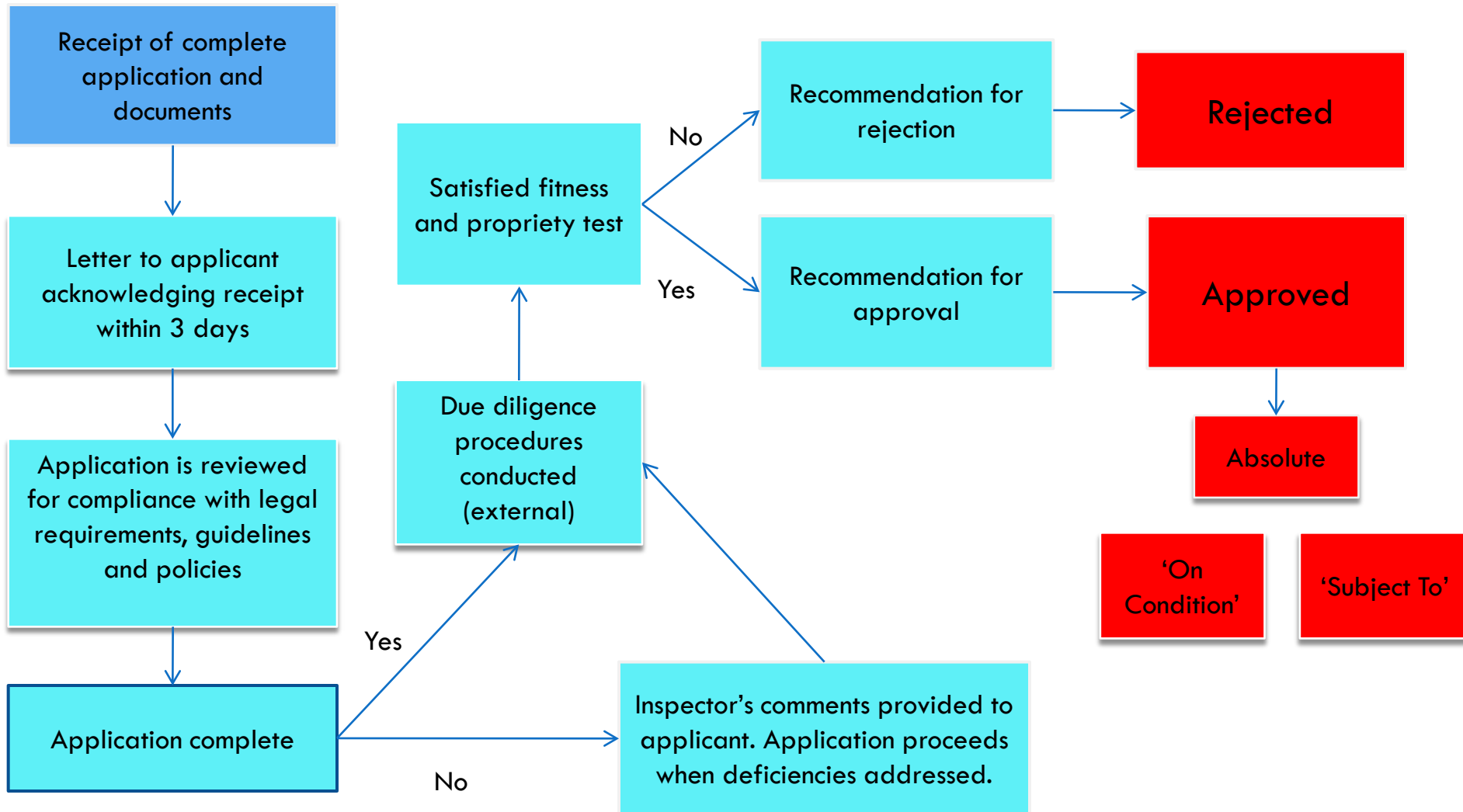
# THE APPLICATION PROCESS

## REQUIREMENTS FOR LICENSING

Financial and corporate service providers must comply with all of the requirements for licensing by submitting the following items to the Inspector:

ITEM	SPECIFIC REQUIREMENT
Application for a Financial and Corporate Service Licence	Accompanying documents including: <ul style="list-style-type: none"><li>•Statement of Fitness and Propriety</li><li>•Business Plan<ul style="list-style-type: none"><li>•Description of products and services offered and method</li><li>•Nature of clientele</li><li>•Financial and operational projections</li><li>•Staffing requirements</li></ul></li></ul>
Application Fee	\$250.00

# THE APPLICATION PROCESS CONT'D





# THE APPLICATION PROCESS CONT'D

## CATEGORIES OF LICENSING

- Individual
- Partnership
- Unincorporated Body
- Firm
- Corporate Entity

Licensees using a trading name (John Doe T/A John Doe & Associates) are categorized as unincorporated bodies.



# KYC REQUIREMENTS

## INDIVIDUALS

- Satisfaction of AML/CFT Guidelines
- Certified copy of a Passport or other document that verifies the applicant's identity
- Statement of Fitness and Propriety (accompanied by character and financial references, CV)

## PARTNERSHIPS, FIRMS, CORPORATE ENTITIES

- Satisfaction of AML/CFT Guidelines
- Certificate of Formation of Partnership
- Partnership Agreement
- Financial Statements
- Registers of Directors, Officers and Shareholders
- AML and Internal Control Procedures
- Statement of Fitness and Propriety (accompanied by CV, character and financial references)



# FINANCIAL SERVICES

Financial services are:

- Money Lending
- Financial Leasing
- Money Broking
- Payday and Cash Advance
- Credit Extension (Debt Collection)
- Mortgage Broking
- Escrow Services
- Financial Advisory, Consultancy, Intermediation Services

Pawn Broking has been excluded from the definition. (Pawn Brokers and Second Hand Dealers Act, 2011)

# APPOINTMENT OF MONEY LAUNDERING REPORTING OFFICERS (MLROS)

Section 5(a) of the Financial Intelligence (Transactions Reporting) Regulations, 2001 requires a financial institution to identify and appoint a Money Laundering Reporting Officer to whom suspicious transaction reports are to be made.



# CONTINUING OBLIGATIONS & CONCERNS RELATED TO FINANCIAL AND CORPORATE SERVICE PROVIDERS



Presenter: Kaylisa Adderley – Assistant Manager, Market Surveillance

# CONTINUING OBLIGATIONS FOR FINANCIAL & CORPORATE SERVICE PROVIDERS

## Renewal of Licence:

• Fees	Annually – by January 31	
• Annual Information Update Form	Annually	

## Material Change Reporting:

• Notification - Change in particulars of Licensee	Within 30 days of any change	Section 7
• Approval– Issue, Transfer and Disposal of shares	Immediately	Section 10 (1)
• Approval- Appointment of Directors	Immediately	Section 10 (2)
• Notification – Change of Officers	Immediately	Section 10 (3)

# CONTINUING OBLIGATIONS FOR FINANCIAL & CORPORATE SERVICE PROVIDERS CONT'D

## Compliance Measures for Licensees

- |   |            |
|---|------------|
| • FCSPA License to be displayed   | Section 8  |
| • Duty to maintain professional conduct   | Section 13 |
| • Obligation of a licensee to clients: <ul style="list-style-type: none"><li>• Verify identity of client;<ul style="list-style-type: none"><li>• Obtain contact details of any client who gives instructions to carry out a function along with two sources of character references; and</li><li>• Licensee shall keep a record in respect of each client. (not less than 6yrs)</li></ul></li></ul> | Section 14 |
| • Maintenance of clients records  | Section 15 |



# CHANGES FOR THE EXAMINATION OF FCSPS



Presenter: Robertha Davis – Officer, Inspections



# CHANGES TO THE PROCESS

- To fully satisfy the obligation of the Inspector
- Survey
- Risk Rating

# CHANGES TO THE EXAMINATION

- Starting 2014 the Commission will discontinue the use its agents and internalize the inspection process.
- Comprehensive review.



# FCSP LEGISLATIVE DEVELOPMENTS



Presenter: Mechelle Martinborough - Legal Counsel

# LEGAL DEVELOPMENTS

- Legal Challenge
- Legislative Developments
- Proposed Fees
- Consultative Process

# LEGAL CHALLENGE

- Constitutional Challenge to FCSPA in 2000
- Currently No Movement
- All Licensees subject to Inspection
- Inspector encourages Separation of Services
- Compliance Sought First through Dialogue

# FCSP LEGISLATIVE DEVELOPMENTS

- OECD Peer Review of the Bahamas
- Main Deficiency = Accounting Records
- Amendments -
  - International Business Companies Act,
  - Exempted Limited Partnerships Act,
  - Partnership (Limited Liability) Act and
  - Foundations Act are required to maintain accounting records
- Amendments came into affect on April 1, 2012

# FCSP LEGISLATIVE DEVELOPMENTS

- Amendments in each Legislation is Identical
- Purpose of Records Vs. Defined types of Records
- Objective Standards -
  - ‘Reliable’
  - ‘reasonable accuracy’
- Enable Financial Statements
- Audited Statement NOT Required



# FEES



Presenter: Mechelle Martinborough - Legal Counsel



## Comparison of the Application Fees under the FCSPA, 2000, Issued for Consultation and Examples of the Revised Proposal

Category	FCSPA, 2000	Issued for Consultation	Example of Revised Proposal
Companies	\$250.00	\$1,000.00	\$500.00
Partnerships	\$250.00	\$1,000.00	\$500.00
Unincorporated Entities ("trading as")	\$250.00	\$1,000.00	\$500.00
Individuals	\$250.00	\$500.00	\$250.00

## Comparison of the Initial Licensing Fees under the FCSPA, 2000, Issued for Consultation and Examples of the Revised Proposal

Category	FCSPA, 2000	Issued for Consultation	Example of Revised Proposal
Companies	N/A	\$3,000.00	N/A
Partnerships	N/A	\$3,000.00	N/A
Unincorporated Entities (“trading as”)	N/A	\$3,000.00	N/A
Individuals	N/A	\$1,500.00	N/A

## Comparison of the Annual Renewal Fees under the FCSPA, 2000, Issued for Consultation and Examples of the Revised Proposal

Category	FCSPA, 2000	Issued for Consultation	Example of Revised Proposal
Companies	\$2,250.00	\$5,000.00	Based on the activities: Ref. tables 1.4 & 1.5
Partnerships	\$2,250.00	\$5,000.00	
Unincorporated Entities (“trading as”)	\$2,250.00	\$5,000.00	
Individuals	\$500.00	\$3,000.00	

## Example of Revised Proposal: Annual Renewal Fees – Corporate Services

Category of Registration	Example of Revised Annual Renewal Fee
Registration or management and administration	\$1,000.00
Registered agent and registered office services	\$1,000.00
Provision of directors, officers and nominee shareholders	\$1,000.00
Provision of partners for partnerships	\$500.00
Provision of registered agent and registered office services	\$500.00
All (Corporate Services)	\$3,500.00



## Example of Revised Proposal: Annual Renewal Fees – Financial Services

Category of Registration	Example of Revised Annual Renewal Fee
Money Lending Financial Leasing	\$1,500.00
Money Brokering	\$500.00
Payday and Cash Advance	\$1,000.00
Credit Extension	\$500.00
Mortgage Brokering Escrow Services	\$1,000.00
Advisory, intermediation and other ancillary financial services	\$1,000.00
All (Financial Services)	\$4,500.00
<b>Both Financial and Corporate Services</b>	<b>\$6,000.00</b>

## Comparison of the Administrative Fees under the FCSPA, 2000, Issued for Consultation and Examples of the Revised Proposal

Category of Registration	FCSPA, 2000	Issued for Consultation	Example of Revised Proposal
Appointment or change in Director or Chief Executive Officer of a Financial and/or Corporate Service Provider	N/A	\$300.00	N/A
Issuing, Transferring or Disposing of Shares of the Financial and/or Corporate Service Provider	N/A	\$300.00	N/A
Letters of Good Standing	N/A	\$200.00	\$200.00
Replacement Certificates (per certificate)	\$25.00	\$200.00	\$200.00

## Comparison of the Administrative Fees under the FCSPA, 2000, Issued for Consultation and Examples of the Revised Proposal (cont'd)

Category of Registration	FCSPA, 2000	Issued for Consultation	Example of Revised Proposal
Notification of change of name and re-issuance of registration certificate (per certificate)	N/A	\$200.00	\$200.00
Surrender of Registration Certificate	N/A	\$200.00	N/A
Publication of advertisement in The Bahamas	N/A	\$200.00	N/A
Late payment of Annual Renewal Fees	N/A	1/12 of the amount of the annual fee payable for each month (or portion thereof) the payment remains outstanding.	1/12 of the amount of the annual fee payable for each month (or portion thereof) the payment remains outstanding.

# FCSP LEGISLATIVE DEVELOPMENTS

## Proposed New Legislation - 2013





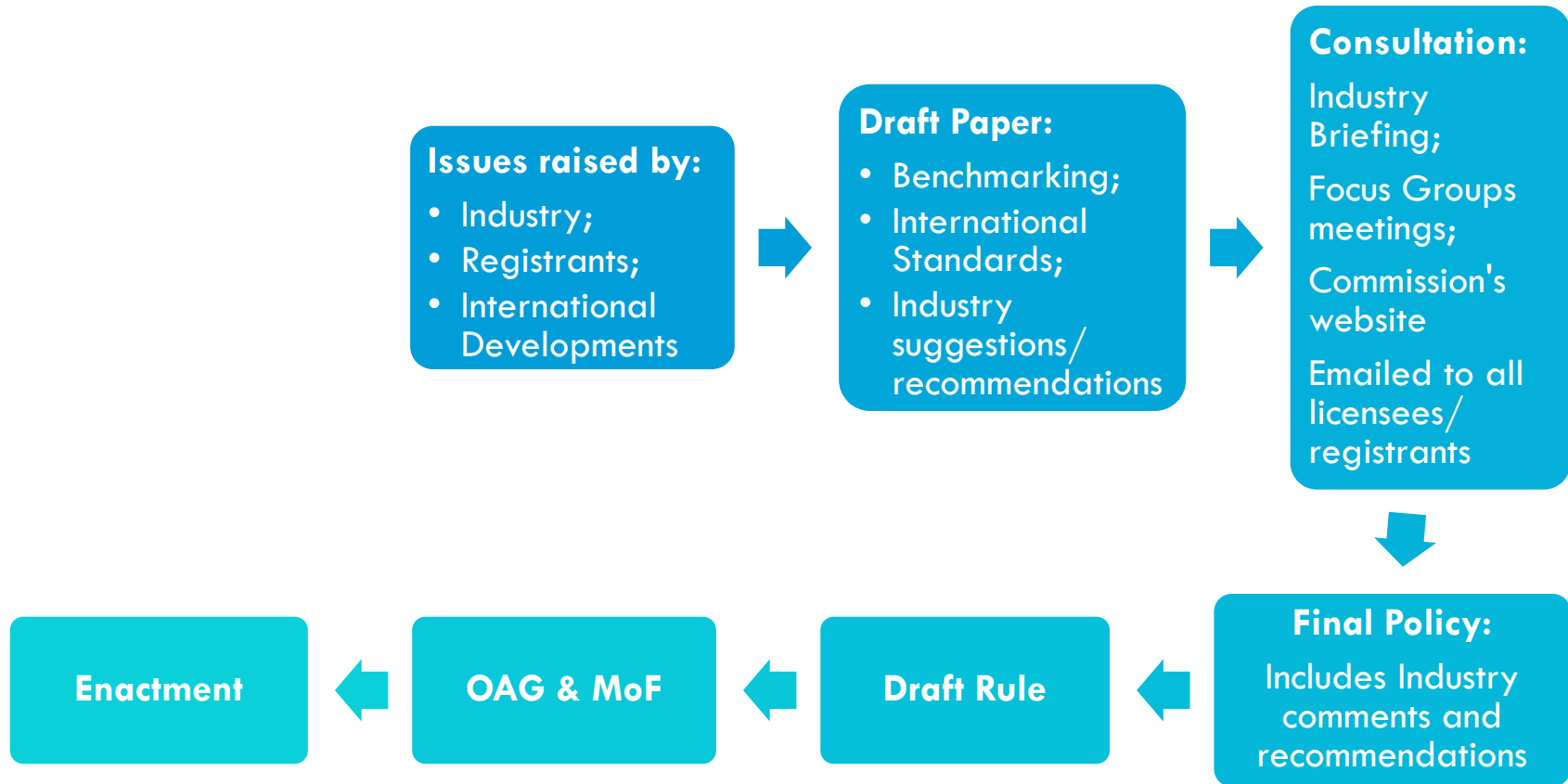


# CONSULTATION PROCESS



Presenter: Mechelle Martinborough - Legal Counsel

# CONSULTATION PROCESS



# LIST OF CONSULTATIVE PAPERS ISSUED FOR INFORMATION

- Outsourcing of Material Functions
- Licensing of Compliance Officers
- Fitness & Propriety Criteria of Applicants
- Liquidity Risk Management
- Corporate Governance for Regulated Entities
- Management of Related Party and Large Exposures

# QUESTIONS & ANSWERS

