SECURITIES COMMISSION OF THE BAHAMAS

OUR APPROACH TO EXAMINATIONS

A PUBLIC STATEMENT OF THE SECURITIES COMMISSION OF THE BAHAMAS' EXAMINATIONS APPROACH

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1. Introduction

The Securities Commission of The Bahamas supervises the jurisdiction's capital markets, investment funds, financial and corporate service providers, and digital asset businesses under the Securities Industry Act, 2024, the Investment Funds Act, 2019, the Financial and Corporate Service Providers Act, 2020 and the Digital Assets and Registered Exchanges Act, 2024, together with the subsidiary legislation made under them and the financial sector legislation that applies to the entities we supervise, including The Bahamas' anti-money laundering and counter-terrorist financing laws.

Onsite examinations are a core part of how we supervise. An examination allows the Commission to see a business as it actually operates - to test records, systems and controls directly, to meet the people who run and staff the business, and to establish whether obligations are being met in practice and not merely on paper. This statement explains why we examine, what we examine, how entities are selected, what an examined entity can expect, what we expect of examined entities, and what happens after an examination. It is published in the interests of transparency and to help licensees and registrants prepare, and it reflects the standards of the International Organization of Securities Commissions, the Financial Action Task Force and the Organisation for Economic Co-operation and Development to which The Bahamas adheres.

This statement is a guide. It does not replace or limit the legislation, which prevails in all cases, and it does not limit the Commission's statutory powers or discretion.

2. What We Examine

Examinations test compliance with the laws the Commission administers across the full range of an entity's obligations. Depending on the entity's licence or registration, this includes: registration and licensing conditions; conduct of business obligations toward clients; the safeguarding and custody of client money and client assets; prudential, capital and financial soundness requirements; corporate governance and the continuing fitness and propriety of directors, officers and controllers; market integrity obligations; disclosure and financial reporting; anti-money laundering, counter-terrorist financing and counter-proliferation financing obligations, including customer due diligence, sanctions screening, transaction monitoring and suspicious transaction reporting; wire transfer and Travel Rule obligations; Common Reporting Standard obligations; economic substance obligations; and, for digital asset businesses, the specific regimes governing custody, reserves and conflicts of interest.

We also examine the operations and practices of the business itself - governance in operation, risk management, systems and controls, staffing and outsourcing, and the treatment of clients - to assess whether the business is being conducted in a sound and prudent manner and whether its controls are effective in practice.

For licensees under the Financial and Corporate Service Providers Act, 2020, our examinations reflect the two parts of that population: providers of financial services are examined as financial institutions, and providers of corporate services are examined as gatekeepers - with particular attention to company formation, nominee services, registered office and agent services, and beneficial ownership obligations - consistent with international standards for the supervision of trust and company service providers.

3. How Entities Are Selected

Selection for examination is risk-based. The frequency, intensity and scope of examination are informed by the Commission's assessment of the risk each entity and sector presents, so that examination resources are directed where the potential for harm to clients, to the market and to the jurisdiction is greatest. Every supervised entity should expect to be examined; higher-risk entities should expect to be examined more frequently and more intensively.

In addition to scheduled examinations, the Commission conducts examinations for cause - at any time, in response to complaints, intelligence, referrals or other adverse information - and thematic reviews, in which a cross-section of entities is examined against a single theme, such as anti-money laundering controls, Travel Rule compliance or the safeguarding of client assets.

4. Types of Examination

- Focused AML/CFT/CPF and CRS examinations - examinations confined to an entity's anti-money laundering, counter-terrorist financing, counter-proliferation financing and Common Reporting Standard obligations, conducted over one to two weeks in the field depending on the size of the entity's client base, and scheduled on their own cycle.
- Full-scope examinations - examinations of all other areas of an entity's business, scaled to its size, complexity and risk, scheduled separately under the Commission's annual examination plan.
- For-cause examinations - examinations initiated in response to adverse information, which may proceed on shortened notice or without notice where advance notice would prejudice their purpose.
- Thematic reviews - examinations of a selected population against a defined theme, the results of which also inform the Commission's published guidance and industry feedback.

5. What to Expect: The Examination Process

Notice
Entities selected for routine examination ordinarily receive written notice approximately thirty days ahead of the proposed start of fieldwork. The notice identifies the documents to be provided ahead of the examination. For-cause examinations may proceed on shortened notice or without notice.

Before fieldwork

The examination team reviews the documents provided, plans the examination and selects samples. Timely and complete production of the requested documents is essential: fieldwork will not begin until the required documents have been provided, and failures to produce are escalated and may be referred to the Commission's Enforcement Department.

Fieldwork
Fieldwork ordinarily lasts between one and four weeks for a full-scope examination, depending on the size and complexity of the business, and one to two weeks for a focused AML/CFT/CPF and CRS examination, depending on the size of the client base. On the first day, the team holds an entry meeting with the entity to confirm the scope of the examination and answer questions. During fieldwork the team tests records, systems and controls, and meets with management and staff. Documents provided in physical form are reviewed and returned; the Commission's working papers are maintained electronically.

Findings and reporting
On the final day in the field, the team holds an exit meeting to present the findings identified during fieldwork. The Commission then issues a draft examination report to the entity within ten working days of the end of fieldwork. The entity has five working days to respond to the draft, and the Commission considers the response and addresses material disputes before issuing the final report within five working days thereafter. Each finding is classified by severity - High, Medium or Low - reflecting the seriousness of the breach or weakness and the harm to which it exposes clients, the market or the jurisdiction.

6. What We Expect of Examined Entities

Entities are under statutory duties to cooperate with the Commission's examinations. Depending on the applicable Act, these include the duty to deal openly, honestly and cooperatively with the Commission, to submit to onsite or offsite examinations, and to produce the information, documents and explanations the Commission requires - including, where required, auditing information and audit working papers. Obstruction of an examination, and failure to cooperate with it, are serious matters: they may constitute offences, and they will be escalated.

In practical terms, the Commission expects: complete and punctual production of requested documents, before and during fieldwork; access to premises, systems and personnel; candour in meetings and interviews; and prompt notification if a requested item cannot be produced, with the reason.

Cost recovery
The Securities Industry Act, 2024 and the Investment Funds Act, 2019 provide for the Commission to assess charges to recover the cost of inspections, with exemptions available on application; cost recovery is applied at the Commission's discretion. Under the Financial and Corporate Service Providers Act, 2020 and the Digital Assets and Registered Exchanges Act, 2024, examinations conducted by agents engaged by or on behalf of the Commission are at the expense of the licensee or registrant. The Commission may also, where warranted, require an entity to obtain a report from

an approved auditor or other skilled person, or engage an external firm to conduct an examination, at the entity's expense where the statute provides.

7. Findings, Remediation and Closure

Where an examination identifies deficiencies, the Commission directs remediation and verifies that it happens. Remediation is administered by the Remediation Unit of the Commission's Supervision Department, and operates on a two-track model:

Finding Severity	Containment and Risk-Mitigation Plan	Full Remediation	Progress Reporting to the Commission
High	Within 30 days	Up to 90 days	Monthly
Medium	-	Up to 180 days	Quarterly
Low	-	Up to 360 days	Quarterly

For High severity findings, the entity must implement immediate mitigating measures and submit a containment and risk-mitigation plan within thirty days, and complete full remediation within the period allowed. The Commission may direct shorter periods where the circumstances warrant, including for breaches of immediately effective requirements.

Entities report progress through a structured Work Plan issued by the Commission, updating the status of each finding and linking supporting evidence to it. Verification is evidence-based: assertions of completion unaccompanied by evidence are not accepted, and the Commission examines documentation, holds follow-up meetings and interviews responsible personnel to satisfy itself that corrective action has been implemented and operates in practice. An entity may apply in writing for an extension of a remediation period, stating the grounds and the revised completion date.

When every remedial action has been verified as satisfactorily completed, the Commission formally notifies the entity that it has no further comments in respect of the examination. The Commission may conduct a follow-up examination to validate the remediation.

8. Escalation and Enforcement

The Commission's response to findings and to remediation failures is graduated and proportionate. Depending on the severity, persistence and character of the matter, the Commission may engage the entity's senior management or board; issue remedial directives or accept undertakings; intensify its oversight, including through follow-up or for-cause examination; require an independent review at the entity's expense; refer the matter to its Enforcement Department; or recommend conditions on, or the restriction, suspension or revocation of, a licence or registration. These responses are not sequential: the Commission may proceed directly to any of them where the circumstances warrant.

Remediation does not extinguish liability. The remediation of a deficiency - however complete - does not preclude the Commission from taking enforcement action, including the imposition of financial penalties, in respect of the underlying breach.

9. Examinations by Approved Agents

Examinations of licensees under the Financial and Corporate Service Providers Act, 2020 may be conducted by agents approved by the Commission, at the expense of the licensee, as the Act provides. The Commission trains and approves agents - including through its annual training for members of the Bahamas Institute of Chartered Accountants - assigns and directs their examinations, and reviews their work. Agent examinations are conducted under the same work programmes and standards as examinations conducted by the Commission directly, and their findings are reported, remediated and, where necessary, escalated in the same way.

10. Confidentiality

Information obtained in an examination is protected by the confidentiality provisions of the legislation the Commission administers. It is used for the Commission's regulatory functions and is not disclosed except as the law permits - including, where applicable, cooperation and information sharing with other domestic and international regulatory authorities under statutory safeguards.

Questions about this statement, or about the examination process generally, may be directed to the Commission through its published contact channels.