



2008

Annual Report

2008



Mission Statement

To effectively oversee and regulate the activities of the securities and capital markets, to protect investors, while strengthening public and institutional confidence in the integrity of those markets.

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BOARD MEMBERS AS AT DECEMBER 31, 2008

Philip Stubbs

Chairman

Wendy Craig

Deputy Chairman

Ex-Officio Member

Governor of the Central Bank

John Archer

Member

Maitland Cates

Member

Joy Jibrilu

Member

Ryan Knowles

Member

Lennox McCartney

Ex-Officio Member

Registrar of Insurance Companies

Sterling Quant

Member

Hillary Deveaux

Ex- Officio Member

Executive Director

Mechelle Martinborough

Secretary to the Board

I am pleased to present this 2008 Annual Report, which covers my first complete year as Chairman. It encapsulates the Commission's effort to remain steadfast amidst the significant turbulence in the world's financial markets and the related regulatory challenges.

The global financial crisis, which deepened during the better part of the year, led to the deterioration of developed financial markets worldwide. The adverse effect on incomes and employment in the developed economies resulted in an economic downturn for many sectors of the Bahamian economy, including potential vulnerabilities for industry participants operating in or from international financial centres such as The Bahamas. The Commission, in canvassing its constituents in the capital markets to determine the impact of the global financial crisis on their operations, was advised of: (1) decreases in revenue streams as a result of a reduction in assets under management and (2) reduced net asset values of investment funds due to declining asset values and increasing redemptions. Some layoff of staff due to reduced activity in the sector was also reported.

The Commission's mandate and mission are primarily that of protecting the interest of the investing public, through regulation and surveillance of the markets to ensure equitable and fair-trading. To achieve this, the Commission set strategic goals and plans for 2008 to provide even greater direction, governance and a strong regulatory framework. Initiatives included appointment of Board committees to improve governance and management's accountability, improvements to the Commission's internal and external financial reporting, a more vigorous effort at pursuing legislative reform, development and refinement of policies and development of staff expertise in regulatory matters. By the end of the year, a statement of priorities was developed for 2009 to further develop these and other initiatives, including plans for regulatory and structural reforms resulting from an operations review that was carried out during the year.

The Commission continued its involvement with the planned integration of financial services regulators. This has been evidenced by:

- Completion of its first year as Inspector of Financial and Corporate Service Providers;
- Increasing cooperation and sharing of resources with other regulators; and
- Relocation of the other regulators, except the Central Bank, into the same office premises as the Commission.

I wish to thank the Board, management and employees of the Commission for their professionalism and dedication during 2008. Also, on behalf of the Commission, I wish to applaud the collaborative efforts of the industry, heightening the positive perception of The Bahamas as the jurisdiction of choice for international financial services.

Philip Stubbs
Chairman





The Commission aims to promote an environment that is properly regulated through the adoption of international best practices and world-class legislation and regulations. In this respect, activities undertaken in 2008, by the Commission, included enhancing communication with the industry, drafting the Securities Industry Regulations to accompany the draft Securities Industry Act and the improvement of internal processes.

To underline the Commission's commitment to maintaining an open dialogue with the industry, the Commission hosted its third Industry Briefing event. The objective of the Briefing was to bring together capital market stakeholders with senior management of the Commission and to exchange ideas on developments and challenges within the markets.

With respect to the development of legislation, the Commission continues to review existing securities laws to ensure they move in tandem with developments in international and local markets. A case in point is the draft Securities Industry Act, which is slated to replace the current Securities Industry Act, 1999. The new legislation will ensure compliance with the International Organization of Securities Commissions (IOSCO) objectives and principles and adherence to the IOSCO Multilateral Memorandum of Understanding (MMoU) on exchange of information. We have an excellent record of cooperating with foreign regulators and our new legislation demonstrates our commitment to continue that as well. The new legislation will also improve the enforcement process employed by the Commission; however, the Board, in the meantime, has committed to pursue matters of enforcement as rigorously and effectively as possible.

The Commission is at the final stages of completing the accompanying Securities Industry Regulations, which will also be released for input.

The Commission remained proactive in its approach to protecting the interest of the investing public with the re-development of its Investor Education Programme, 'Getting My Money Right'. This Programme targets all audiences using multiple media outlets and many joint initiatives with the private sector and other learning institutions.

Despite the ever-challenging road ahead, the Commission will continue its efforts to strike a balance between growth and regulation; maintaining dialogue with stakeholders and industry practitioners, and increasing available information to the general and investing public, all of which are necessary for maintaining vibrant securities markets.

Hillary Deveaux
Executive Director



Top Row (Left to Right): Philip Stubbs – Chairman, Wendy Craig – Deputy Chairman, John Archer, Maitland Cates, and Joy Jibrilu

Bottom Row (Left to Right): Ryan Knowles, Lennox McCartney, Sterling Quant, and Hillary Deveaux – Executive Director

Role of the Board

Board members of the Commission have the responsibility for the overall direction of the organisation. Guided by principles of good governance, the duties of the Board include overseeing strategic planning.

Committees of the Board

There are two committees of the Board. As at December 31, 2008, the Committees were as follows:

Audit Committee – This Committee advises and makes recommendations to the Commission on all matters relating to corporate governance, including internal financial controls, internal and external audits and compliance with financial reporting requirements.

Human Resources Committee – This Committee assists the Commission in establishing and reviewing remuneration and other policies for all employees of the Commission.

Activities of the Board

The Board held 11 meetings during the year. Three extraordinary and eight Audit Committee meetings were held. In addition, the Round-Robin process was used six times during the year to expedite approval of those matters requiring more immediate action.

Disciplinary Proceedings of the Board

The Commission, as part of its function to maintain the integrity of the capital markets, has the authority to conduct investigations and hearings. The Board carries out these functions via two statutory, standing bodies. As at December 31, 2008, the bodies were as follows:

Hearing Panel – This Panel presides over regulatory hearings and determines disciplinary matters of the Commission. In carrying out its functions, the Hearing Panel is empowered to impose various sanctions, remedies or other relief, as provided for in the Securities Industry Act, 1999 and Investment Funds Act, 2003.

Disciplinary Committee – This Committee assists the Executive Director in making recommendations, to the Commission, on the appropriate action to be taken as a result of an investigation.

Committees of the Board and Board Terms

Table 1: Committees of the Board as at December 31, 2008

Audit Committee	Human Resources Committee	Disciplinary Committee	Hearing Panel
Lennox McCartney, Chair John Archer Sterling Quant Philip Stubbs	Joy Jibrilu, Chair Wendy Craigg Philip Stubbs	Philip Stubbs, Chair Ryan Knowles Cheryl Bazard* D'arcy Rahming* Joseph Strachan*	Sterling Quant, Chair John Archer Joy Jibrilu Wendy Craigg (Alternate) Lennox McCartney (Alternate)

* Non-Board Members

Kendrick Christie resigned as a Board Member on January 3, 2008. Maitland Cates succeeded him. The Secretary to the Board is Mechelle Martinborough, Legal Counsel.

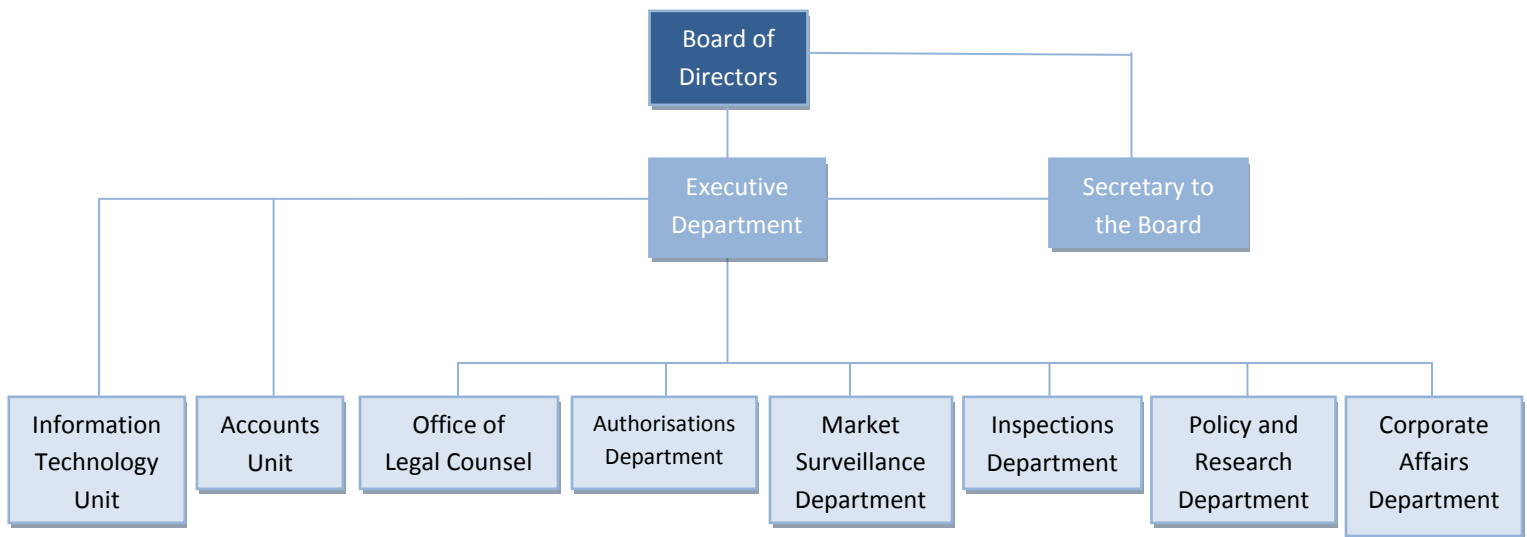
Table 2: Board Terms

Name	Appointed	Expiration of Term
Philip Stubbs (Chairman)	July 1/07	June 30/12
Wendy Craigg (Deputy Chairman)	June 1/05	Ex-Officio
John Archer	July 1/07	June 30/09
Maitland Cates	August 26/08	September 30/10
Joy Jibrilu	July 1/07	June 30/09
Ryan Knowles	July 1/07	June 30/09
Lennox McCartney	February 29/08	Ex-Officio
Sterling Quant	July 1/07	June 30/09
Pauline Sherman*	September 29/07	February 28/08
Hillary Deveau (Executive Director)	December 1/02	Ex-Officio

* Acting Registrar of Insurance Companies, during which time she served as Board Member until Lennox McCartney was appointed as the Registrar of Insurance Companies.

VISION	A vibrant, competitive financial services sector that has sound regulatory practices and policies that promotes confidence.														
MISSION STATEMENT	To effectively oversee and regulate the activities of the securities and capital markets, to protect the investors while strengthening the public and institutional confidence in the integrity of those markets.														
ENABLING LEGISLATION	The Commission is a statutory body established in 1995 pursuant to the Securities Board Act, 1995, which was repealed and replaced by the Securities Industry Act, 1999. The Commission is responsible for the administration of the Securities Industry Act, 1999 and the Investment Funds Act, 2003 pursuant to which it supervises and regulates the activities of the investment funds, securities and capital markets.														
MANDATE	The Commission's mandate is to formulate principles to regulate and govern investment funds, securities and capital markets; maintain surveillance over investment funds, securities and capital markets ensuring orderly, fair and equitable dealings; create and promote conditions to ensure orderly growth and development of capital markets; and to advise the Minister of Finance regarding investment funds, securities and capital markets.														
PURPOSE	To contribute to the growth and development of a financial services sector that is vibrant and competitive.														
GOVERNANCE	<p>The Securities Industry Act, 1999 requires that the membership of the Commission consist of a Chairman, a Deputy Chairman, and other members not to exceed seven, all of whom are appointed at the discretion of the Minister of Finance. Of the nine Members of the Commission, three are ex-officio. The Chairman holds office for a period of five years. The Deputy Chairman and other Commission members hold their offices for a period not to exceed four years. All Commission members including the Chairman are eligible for reappointment.</p> <p>Members are chosen to serve on the Commission based on their experience and expertise in the disciplines of commerce, law, finance, economics and administration.</p>														
STAFF COMPLEMENT	<p>51 full-time staff members:</p> <table><tr><td>▪ Executive Department</td><td>9 staff members</td></tr><tr><td>▪ Office of Legal Counsel</td><td>7 staff members</td></tr><tr><td>▪ Authorisations Department</td><td>7 staff members</td></tr><tr><td>▪ Market Surveillance Department</td><td>11 staff members</td></tr><tr><td>▪ Inspections Department</td><td>7 staff members</td></tr><tr><td>▪ Policy and Research Department</td><td>3 staff members</td></tr><tr><td>▪ Corporate Affairs Department</td><td>7 staff members</td></tr></table>	▪ Executive Department	9 staff members	▪ Office of Legal Counsel	7 staff members	▪ Authorisations Department	7 staff members	▪ Market Surveillance Department	11 staff members	▪ Inspections Department	7 staff members	▪ Policy and Research Department	3 staff members	▪ Corporate Affairs Department	7 staff members
▪ Executive Department	9 staff members														
▪ Office of Legal Counsel	7 staff members														
▪ Authorisations Department	7 staff members														
▪ Market Surveillance Department	11 staff members														
▪ Inspections Department	7 staff members														
▪ Policy and Research Department	3 staff members														
▪ Corporate Affairs Department	7 staff members														

Structure of the Commission



Executive Department – This department is responsible for the day-to-day management of operations, technical and financial matters. The Executive Department includes the Accounts Unit, which is responsible for all of the Commission’s financial matters including annual budgets and the preparation of financial statements and the Information Technology Unit, which is responsible for facilitating the information and communication needs of the Commission.

Secretary to the Board – The Secretary is responsible for managing Board matters and providing technical and administrative support to the Board.

Office of Legal Counsel – This department is responsible for providing legal advice to the various departments of the Commission, assisting in the review of financial sector legislation, managing matters of international cooperation and overseeing enforcement and disciplinary matters.

Authorisations Department – This department is responsible for the licensing and registration of market participants, as well as the review and registration of prospectuses for public offerings.

Market Surveillance Department – This department is responsible for the on-going monitoring and supervision of market participants and the local securities exchange, and reviewing proposals from the local securities exchange.

Inspections Department – This department is responsible for the supervision and on-site monitoring of market participants adherence to the rules and regulations.

Policy and Research Department – This department is responsible for assisting in the development of legislation, rules, policies and guidelines. It is also responsible for statistical reporting, investor education, the content of the Commission’s website, public relations and the oversight of the Commission’s registry.

Corporate Affairs Department – This department is responsible for the daily management of the human and physical resources of the Commission, which includes, ensuring adequate manpower to facilitate the Commission’s mandate, as well as implementing and enforcing staff regulations.

MANAGEMENT TEAM AS AT DECEMBER 31, 2008

Hillary Deveau

Executive Director

Mechelle Martinborough

Legal Counsel

L. Alexander Roberts

Authorisations Department

Sally Moss

Market Surveillance Department

Addie Winder

Inspections Department

Jessika Sawyer

Policy and Research Department

Deborah Burrows

Corporate Affairs Department

Monique Sands

Accounts Unit

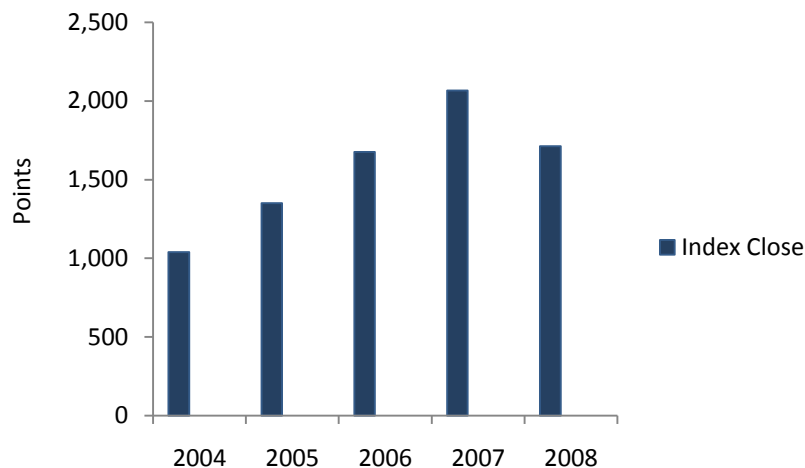
Charles McKenzie

Information Technology Unit

The Bahamas was well-positioned to deflect much of the direct impact of the global financial crisis with its exchange control regime. By imposing restrictions on local Bahamian entities accessing international capital markets, the regime in essence provided a shield against the direct impact of the global financial crisis on the local financial and capital markets. However, the capital markets were still affected, as the global financial crisis wreaked havoc on many of the world economies causing spikes in unemployment, plunges in consumer and investor confidence, reduced stock prices and a fall in production by the advanced economies. This has had the effect of reducing the disposable incomes of residents of these economies, leading to a decrease in demand for goods and services, including Bahamian tourism and financial services, both of which are critical sectors.

Weak investor confidence, coupled with the sluggish economy, was a major contributor to the overall lacklustre performance of the domestic capital market in 2008. The Bahamas International Securities Exchange (BISX) All Share Index closed at 1,712.36, a decrease of 354.39 points or 17.15% compared to year end 2007. The market comprised 24 primary listings including 19 common share listings, one preference share listing and four tranches of debt. Market capitalisation was \$3.03 billion, a decrease of \$950 million or 23.9% from 2007.

Chart 1: BISX All-Share Index 2004-2008



The volume of shares traded for the year 2008 was 9.62 million, valued at a total of \$71.55 million. This is a marked increase in the volume and value of shares changing ownership, which was due to a block trade in which a firm purchased 50% of the outstanding shares of a listed company; 5 million shares with a value of \$41 million. Once this transaction is accounted for, the underlying trading volume for the year was marginally lower than that of the previous year (4.62 million in 2008 compared to 4.77 million in 2007). Valuation, however, increased by \$2.29 million (\$30.55 million in 2008 compared to \$28.25 million in 2007).

During the review period, the Commission approved a joint initiative of BISX and a number of global financial services companies, called BISX Global. This project would lead to the creation of a new platform focused on exploiting opportunities in the international capital markets. Other highlights in the domestic capital market included the listing of the first domestic segregated accounts company and an international hedge fund on the local exchange.

In other capital market activities, six active public companies continued their trading on the over-the-counter market, and the Fidelity Capital Market Limited's broader 'FINDEX' weighted share price index, which includes equities traded over-the-counter, fell by 11% to close at 834.83 points for the year.

Categories of Registrants

The Commission, as part of its mandate to maintain the integrity of the securities and capital markets and the investment funds industry, is charged with the licensing and registration of market participants. The categories of registration and licensing under the various pieces of legislation administered by the Commission are noted in Table 3 and Table 4:

Table 3: Licensees and Registrants under the Securities Industry Act, 1999 (SIA, 1999)

Constitution Type	Descriptions
Broker-Dealer	<p>A Broker-Dealer is a company incorporated or registered under the Companies Act, 2000 that provides the services of a broker, a dealer or a broker and a dealer.</p> <p>(i) As a Broker, a Broker-Dealer may provide securities investment advice to the public and must be registered as such by the Commission.</p> <p>(ii) As a Dealer, a Broker-Dealer can trade on a Securities Exchange or deal in securities.</p> <p>Broker-Dealers are categorised into four classes, however, only Class I and Class II are currently used. A Broker-Dealer Class I can underwrite securities, however, a Broker-Dealer Class II cannot.</p>
Securities Investment Advisor	<p>A Securities Investment Advisor can perform the duty of:</p> <p>(i) An Investment Advisor who provides advice to others on investing in or selling securities and/or primarily engages in giving advice as it pertains to the investment of funds; or</p> <p>(ii) A Portfolio Manager who manages securities portfolios for clients with regard to investments.</p>
Securities Exchange	A company incorporated under the Companies Act, 2000 operating in a market or other place in The Bahamas at or on which securities are offered for sale, purchase, or exchange and which is registered by the Commission.
Offers of Securities to the Public	A prospectus is required to be lodged with and registered by the Commission before the public is invited to subscribe or is issued an application to subscribe for or to purchase securities.

Table 4: Licensees and Registrants under the Investment Funds Act, 2003 (IFA, 2003)

Constitution Type		Descriptions
Investment Fund Administrator	Unrestricted	A company licensed as an <i>Unrestricted Investment Fund Administrator</i> has the authority to licence and oversee the operations of an unlimited number of Investment Funds.
	Restricted	A company licensed as a <i>Restricted Investment Fund Administrator</i> can provide Investment Fund Administrator services only to the Investment Funds licensed or registered by the Commission. A restricted licence holder does not have the authority to independently licence an investment fund – licensing must be from the Commission.
Investment Fund	Professional Fund	This Fund is available solely to accredited investors.
	Standard Fund	This Fund is generally for those that are not categorised as a Professional, SMART or Recognised Foreign Fund. An example is a retail-type Fund. A Standard Fund can only be licensed by the Commission.
	Recognised Foreign Fund	This Fund is licensed or registered in a recognised jurisdiction or listed on a recognised foreign exchange as prescribed.
	SMART Fund	The Specific Mandate Alternative Regulatory Test Fund (SMART Fund) is an Investment Fund that satisfies the parameters and requirements of a category, class or type of Investment Fund previously approved by the Commission.

Ongoing Supervision

The Commission's approach to supervision and oversight is incorporated into its core functions: the authorisations process; off-site market surveillance and on-site inspections of registered and licensed entities. The goals of the Commission's supervisory programme are to maintain effective oversight, strengthen market confidence, protect investors and facilitate the orderly growth and development of the markets.

Authorisations

The licensing and registration of market participants entails ensuring the fitness and propriety of market participants and their associated personnel. In its evaluation of an applicant's fitness and propriety, the Commission, inter alia, confirms and assesses the applicant's financial soundness, educational and professional qualifications, character and operational capacity.

In 2008, the Commission received 155 applications, which is 30% lower than the number of applications received from the previous period due to a substantial reduction in the number of applications for Professional Funds (down by 46.67%) and Recognised Foreign Funds (down by 44.59%). Further, 35 applications, incomplete at submission, were carried over from 2007; thus leading to 190 applications for review in 2008, of which 171 were approved.

Table 5: Applications of Market Participants - Comparative Figures 2006-2008

Category	Applications 2006		Applications 2007		Applications 2008	
	Received	Approved	Received	Approved	Received	Approved
Broker-Dealer Class I	4	4	4	3	-	1
Broker-Dealer Class II	3	3	1	1	5	3
Securities Investment Advisors	9	7	6	2	5	5
Unrestricted Investment Fund Administrators	1	0	3	2	2	3
Restricted Investment Fund Administrators	7	6	6	3	2	3
Professional Funds	73	65	60	46	32	40
SMART Funds	39	31	45	42	66	70
Standard Funds	15	12	15	11	2	3
Recognised Foreign Funds	114	76	74	65	41	43
Non-Bahamas Based Funds	-	-	8	8	-	-
TOTAL	265	204	222	183	155	171

Monitoring and Oversight

Off-site supervision is the primary function of the Market Surveillance Department. In conducting this function, the Market Surveillance Department engages in a sound monitoring process that seeks to ensure registrants meet their ongoing obligations under the securities legislation.

Securities Industry Act, 1999

As indicated in Table 6, 46 or approximately 43% of the total regulated entities under the SIA, 1999 were Securities Investment Advisors. Broker-Dealers represented 61 or approximately 56% of total registrants. The Broker-Dealer Class I totalled 16 or approximately 26% of all Broker-Dealers and Broker-Dealer Class II accounts for 45 or approximately 74% of total Broker-Dealers.

Table 6 provides a comparative analysis of registrants under the SIA, 1999. The number of registrants remained relatively stable between year end 2006-2008 with total registrants declining by only four (3.6%) in 2008 compared to 2007. This contraction in the number of market participants can be attributed to merger activity, which resulted in a decline in the number of Banks & Trust Companies registered.

Table 6: Registrants under the SIA, 1999 - Comparative Figures 2006-2008

Constitution Type			Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Broker-Dealer	Class I	Bank & Trust Cos.	12	11	10
		Non Bank & Trust Cos.	4	7	6
	Class II	Bank & Trust Cos.	41	38	35
		Non Bank & Trust Cos.	10	11	10
Securities Investment Advisors		Bank & Trust Cos.	1	3	3
		Non Bank & Trust Cos.	41	41	43
Securities Exchange			1	1	1
TOTAL			110	112	108

Investment Funds Act, 2003

Table 7 summarises the total number of Funds in each fund category between year-end 2006 and the same period in 2008. The Investment Funds sector continued the growth seen in 2007, rising by 10.8% (85 funds) in 2008.

Table 7: Investment Funds under the IFA, 2003, Comparative Figures 2006-2008

Fund Category	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Standard Funds	132	144	122
Professional Funds	298	286	307
Recognised Foreign Funds	171	206	269
SMART Funds	122	146	169
TOTAL	723	782	867

Table 8 reflects the growth trend in the total number of Administrators between 2006 and 2008. During 2007 and 2008, the number of Investment Fund Administrators grew by two.

Table 8: Administrators under the IFA, 2003, Comparative Figures 2006-2008

Administrator	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Unrestricted	37	35	36
Restricted	22	27	27
Exempt	2	2	3
TOTAL	61	64	66

Financial and Corporate Service Providers Act, 2000

Effective January 1, 2008, the Commission was appointed as the Inspector of Financial and Corporate Service Providers (the Inspector). Prior to this, the Registrar General held the post of Inspector.

The role of Inspector is set out in the Financial and Corporate Service Providers Act, 2000 (FCSPA, 2000). The FCSPA, 2000 provides for the supervision and regulation of financial service providers, and financial institutions not otherwise regulated under securities, banking and insurance laws. As the Inspector, the Commission has the authority under the FCSPA, 2000 to:

- Grant licences to individuals/institutions in the business of providing financial or corporate services in or from within The Bahamas;
- Approve the issuing, transferring or disposing of shares of the licensee and appointments of directors;
- Request and examine the books, records and other documents of the licensee;
- Revoke the licence of a licensee; and
- Carry out any other duties specified in the Act.

At year end 2008 there were 266 active licensees under the FCSPA, 2000. The Commission approved 37 new applications for licensing in 2008 and renewed 229 previously licensed Financial and Corporate Service Providers. Licensees consisted of a combination of both Individuals and Firms.

On-Site Inspections

The Commission conducts on-site examinations, on a three to four year rotational basis, of registrants under the SIA, 1999 and IFA, 2003, including Broker-Dealers, Investment Fund Administrators, Securities Investment Advisors and Exchanges, for the purposes of ensuring that registrants are functioning in compliance with the relevant legislative requirements and are operating in keeping with the nature of the licence granted.

In order to harmonise the on-site examination process, the Commission entered into a Joint Protocol with the Central Bank of The Bahamas. The Protocol facilitates joint inspections of entities supervised by both regulatory bodies. The agreement was signed in January and the first joint inspection began on April 28, 2008. The table below summarises the number of inspections completed for 2007 and 2008 under the SIA, 1999 and IFA, 2003. Ten of the 20 (50%) inspections held in 2008 were joint inspections.

Table 9: Inspections by License Type Completed under the SIA, 1999 and IFA, 2003

Type of Licence		2007		2008	
		Routine	Inspections for Cause	Routine	Inspections for Cause
Securities Industry Act	Broker-Dealer Class I	1	-	3	-
	Broker-Dealer Class II	4	-	3	-
	Securities Investment Advisors	6	-	6	-
Investment Funds Act	Unrestricted Investment Fund Administrators	3	-	6	-
	Restricted Investment Fund Administrators	2	-	2	-
TOTAL		16		20	

Enforcement

Investment Funds

In January 2008, the Commission petitioned the court to liquidate three Funds. These Funds are being officially wound-up by court appointed liquidators and under the court's supervision.

Registrants

The Commission's Disciplinary Committee met in March and May, concerning two registrants. The Committee recommended both administrative action and criminal prosecution. The Commission continues to pursue these matters.

The Commission was also involved in the institution of court supervised voluntary liquidation proceedings against a registered Broker-Dealer Class II, which was placed into liquidation in February 2008.

Legislative Updates

Draft Securities Industry Act, 2008

Based on internal and external reviews of the jurisdiction's regulatory standards, it was determined that development of more comprehensive securities legislation would be necessary hence the development of the draft Securities Industry Act (draft Act).

The draft Act brings about a more flexible legislative structure that will allow the Commission to respond quickly and effectively to changes within the industry. The approach to the draft Legislation was to include key legal obligations in the draft Act itself and detailed requirements prescribed in the Regulations and Rules.

The draft Act was completed and issued to the industry and the public for consultation on January 28, 2008. The main objectives of the draft Act are to:

- Establish a new basis for registration of industry participants by function rather than title;
- Make provisions for the sharing of information that is IOSCO MMoU compliant;
- Enhance the enforcement and investigative authority of the Commission;
- Simplify the disciplinary process of the Commission; and
- Create new disclosure provisions for the issuance of shares in the Bahamian capital markets.

Throughout the period under review, the Commission has been focused on the development of the Securities Industry Regulations, with the assistance of a consultant funded by the Caribbean Regional Technical Assistance Centre (CARTAC), who also provided assistance in the drafting of the Act.

Financial and Corporate Service Providers (Amendment) Act, 2008

The Financial and Corporate Service Providers (Amendment) Act, 2008 came into force in December 2008 and amends the FCSPA, 2000. The amendments include:

- Rescinding the requirement for the annual renewal of licenses;
- Exempting reference and record keeping requirements from being 'absolute' to making them 'subject to' The guidance or directive of the Inspector;
- A change in the number of references needed to provide an adequate indication on the reputation and standing of a client; and
- Empowering the Inspector to issue rules, guidelines and directives to enhance the supervision of financial and corporate service providers licensed under the Act.

Policy Developments

Master Feeder/Fund Structures

An interim policy statement was developed to address specific concerns raised by the industry regarding the treatment of Master Feeder fund structures. Prior to the development of the interim policy statement, the Commission required the licensing of each individual fund that is a part of the Master Feeder structure.

A review of the fund structure was undertaken based on the concerns raised by the industry. As a result, the Commission waived the licensing requirements of the Master Fund and instead required that the Master Fund submit an application for registration as a Recognised Foreign Fund, while the Offshore Feeder Fund is a Bahamas Based Fund regulated by the Commission or licensed and regulated in a prescribed jurisdiction. In regards to the Onshore Feeder Fund, the Commission will grant an exemption for licensing and require that an application be submitted for registration as a Recognised Foreign Fund if the Fund is a mirror of the Offshore Fund, which is regulated.

The Commission is a member of international organisations such as the International Organization of Securities Commissions (IOSCO) and the Inter-American Regional Committee (IARC) of IOSCO, more commonly referred to as the Council of Securities Regulators of the Americas (COSRA). In addition, the Commission is part of local and regional groups such as the Group of Financial Services Regulators (GFSR), the Caribbean Group of Securities Regulators (CGSR) and the Offshore Group of Collective Investment Scheme Supervisors (OGCISS).

International Organisation of Securities Commissions (IOSCO)

In September 1996, the Commission was granted membership in IOSCO - the international standards setter for securities and capital markets regulation. Its membership comprises of securities regulators and other similar regulatory agencies from countries throughout the world. The purpose of IOSCO is to enable members to exchange information with a view to developing the securities markets and improving their efficiency, to coordinate the enforcement of securities regulation internationally and to implement common standards.

In October 2002, IOSCO adopted the MMoU as the model for international co-operation, which establishes standards to be applied by IOSCO Members when making or responding to requests for information. Signing the MMoU provides signatories with mutual assistance in facilitating the performance of their functions and enforcing or securing compliance with their laws. In May 2008, the Commission applied to be a signatory to the MMoU. The Commission's application as at December 31st was under review.

Council of Securities Regulators of the Americas (COSRA)

At the Council of Securities Regulators of the Americas' annual meeting in Santiago, Chile in June 1997, the Commission was confirmed as a member of this group. COSRA, formed in 1992, was created to provide a forum that promoted cooperation and communication amongst its members to enhance the efforts of each country and to develop the growth of sound securities markets that are fair to all investors. Membership to COSRA is open to all securities regulatory authorities of North, South and Central America and the Caribbean. There are 31 members in 26 countries.

Group of Financial Services Regulators (GFSR)

The Commission is a member of the GFSR, which focuses on crosscutting issues that affect the financial services sector. The Chairmanship of the Group rotates between the Securities Commission of The Bahamas and the Central Bank of The Bahamas, the latter being the current chair.

A handbook that provides an overview of the regulatory information-sharing framework in The Bahamas, under its financial services legislation, was drafted and issued by GFSR in 2005. In 2008, the handbook was updated to reflect current securities legislation.

Caribbean Group of Securities Regulators (CGSR)

The CGSR is an informal group of securities regulators, which was established to strengthen the regulatory framework for securities within the Caribbean. It gives the region a unified voice on the international stage and allows for greater standardisation and coordination of institutional structures. In addition, it articulates the challenges shared amongst regulators within the region, facilitates the sharing of information and promotes the understanding of these shared challenges to encourage cooperation to reverse the observed deficiencies. The 5th Annual Conference was held November 10-11, 2008 in Barbados.

Offshore Group of Collective Investment Scheme Supervisors (OGCISS)

OGCISS meetings are designed to provide a forum for the exchange of ideas and information among persons who regulate and supervise collective investment schemes. The Commission attended the 11th Annual Meeting, which was held May 26-28, 2008 in Panama.

Getting My Money Right

The Commission developed its 'Getting My Money Right' Investor Education Programme, which was approved by the Board in September 2008. The objective of the Programme is to provide investors with investing fundamentals. The Programme is comprised of eight modules: online interactive tools; joint initiatives; public service announcements; apprenticeship; print media; investor education week; e-communications and offshore outreach.

Subsequent to the launch of this Programme, the Commission has been involved with various private sector investor education programmes and other community based initiatives, such as:

- **CFAL's Junior Investor Education Programme**
- **Ministry of Education's National Career Fair**

Effective January 1, 2008, the Commission was appointed the Inspector of Financial and Corporate Service Providers. Fees received from registrants under the FCSPA, 2000 contributed \$403,350 to operating income. Despite this, the Commission continues to be unable to sustain its operations without financial support from the government.

The Commission incurred an operating deficit of \$1.119 million for the year 2008. This represents a reduction of \$275,830 when compared to 2007. As a result of receiving government funding of \$1.4 million in 2008, the accumulated operating deficit and reserve funds increased to a surplus of \$267,229 for 2008, versus a deficit of \$13,411 in 2007.

The auditor's report again emphasised that the Commission will only be able to continue as a going concern by attaining profitable operations and/or with continued financial support from the government.

**SECURITIES COMMISSION
OF THE BAHAMAS**

Financial Statements

Year ended December 31, 2008



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INDEPENDENT AUDITORS' REPORT

To The Members of Securities Commission of The Bahamas

Report on the financial statements

We have audited the accompanying financial statements of the Securities Commission of The Bahamas ("the Commission") which comprise the balance sheet as at December 31, 2008, and the related statements of operations, accumulated operating deficit and reserve funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Securities Commission of The Bahamas as of December 31, 2008, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 11 to the financial statements. The Commission incurred an operating deficit for the year of \$1,119,360 (2007 – \$1,395,190) before Government funding of \$1,400,000 (2007 – \$1,500,000). As at December 31, 2008, the accumulated operating deficit amounted to \$9,542,214 (2007 – \$8,422,854) before accumulated Government funding of \$9,809,443 (2007 – 8,409,443), resulting in a net surplus in the accumulated operating deficit and reserve funds of \$267,229 (2007 – net deficit of \$13,411). The Commission will only be able to continue as a going concern by attaining profitable operations and/or with continued financial support from the Government.

Nassau, Bahamas
July 30, 2009

SECURITIES COMMISSION OF THE BAHAMAS

Balance Sheet

December 31, 2008, with corresponding figures for 2007
(Expressed in Bahamian dollars)

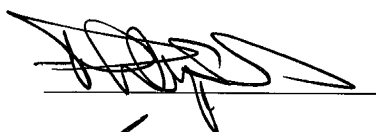
	2008	2007
Assets		
Current assets:		
Cash at bank and on hand	\$ 400,217	18,022
Accounts receivable (note 4)	145,780	134,587
Deposits and prepaid expenses	16,007	120,464
	562,004	273,073
Equipment (note 6)	137,282	138,252
	\$ 699,286	411,325

Liabilities and Accumulated Operating Deficit and Reserve Funds

Current liabilities:		
Bank overdraft (note 5)	\$ —	70,218
Deferred revenue (note 7)	147,944	155,850
Accounts payable and accrued expenses (note 12)	284,113	198,668
	432,057	424,736
Accumulated operating deficit and Reserve funds (notes 8 and 11)	267,229	(13,411)
Commitments and contingencies (note 9)		
	\$ 699,286	411,325

See accompanying notes to financial statements.

These financial statements were approved for issue on behalf of the Members of the Board on
July 30, 2009 by:



Chairman



Executive Director

SECURITIES COMMISSION OF THE BAHAMAS

Statement of Operations

Year ended December 31, 2008, with corresponding figures for 2007
(Expressed in Bahamian dollars)

	2008	2007
Operating income:		
Fee income:		
Investment funds:		
Registration and licence fees	\$ 602,329	573,735
Principal office fees	301,967	288,775
Application fees	90,650	108,933
Investment fund administrators:		
Administrator licence fees	498,875	491,351
Administrator application fees	8,500	32,000
Broker - dealers:		
Registration and licence fees	417,274	417,600
Application fees	17,496	17,525
Financial and corporate service providers:		
Company and individual application fees	12,500	–
Company and individual license fees	390,850	–
Securities investment advisors:		
Registration and licence fees	48,875	48,163
Application fees	3,200	2,800
Associated persons:		
Registration and licence fees	5,604	6,658
Application fees	1,000	1,825
Securities exchange registration and licence fees	10,000	25,000
Penalty fees	31,300	11,050
Examination fees	14,800	5,125
Total fee income	2,455,220	2,030,540
Miscellaneous income	39,020	18,243
Gain on sale of equipment	3,171	–
	2,497,411	2,048,783
Operating expenses:		
Salaries, wages and benefits (notes 10 & 12)	2,298,882	2,237,946
Rent for office and parking	313,193	307,948
Travel and entertainment (note 12)	232,150	223,044
Professional fees	134,361	55,725
Utility and property charges	176,280	151,476
Depreciation (note 6)	71,399	84,445
Office expenses	91,244	78,819
Members' honoraria (note 12)	59,825	57,875
Disciplinary Committee honoraria (note 12)	19,500	19,500
Training and seminars	45,745	71,175
Telephone	56,036	56,634
Advertising	16,372	34,060
Printing	6,507	3,032
Membership and publications fees	21,037	18,580
Computer expenses	24,784	16,800
Examination expenses	10,700	3,285
Sundry	17,745	10,208
Finance charges	16,639	13,421
Investor education costs	3,307	–
Bad debts	1,065	–
	3,616,771	3,443,973
Operating deficit for the year	\$ (1,119,360)	(1,395,190)

See accompanying notes to financial statements.

SECURITIES COMMISSION OF THE BAHAMAS

Statement of Accumulated Operating Deficit and Reserve Funds

Year ended December 31, 2008, with corresponding figures for 2007
(Expressed in Bahamian dollars)

	Government Funding	Accumulated Operating Deficit	Total
Balance at December 31, 2006	\$ 6,909,443	(7,027,664)	(118,221)
Government funding	1,500,000	–	1,500,000
Operating deficit for the year	–	(1,395,190)	(1,395,190)
Balance at December 31, 2007	8,409,443	(8,422,854)	(13,411)
Government funding	1,400,000	–	1,400,000
Operating deficit for the year	–	(1,119,360)	(1,119,360)
Balance at December 31, 2008	\$ 9,809,443	(9,542,214)	267,229

See accompanying notes to financial statements.

SECURITIES COMMISSION OF THE BAHAMAS

Statement of Cash Flows

Year ended December 31, 2008, with corresponding figures for 2007
(Expressed in Bahamian dollars)

	2008	2007
Cash flows from operating activities:		
Operating deficit for the year	\$ (1,119,360)	(1,395,190)
Adjustments for:		
Depreciation expense	71,399	84,445
Bad debt expense	1,065	–
Gain on disposal of equipment	(3,171)	–
Cash used in operations before changes in operating assets and liabilities	(1,050,067)	(1,310,745)
Increase in accounts receivable	(12,258)	(16,296)
Decrease / (increase) in deposits and prepaid expenses	104,457	(109,736)
(Decrease)/increase in deferred revenue	(7,906)	69,092
Increase / (decrease) in accounts payable and accrued expenses	85,445	(106,816)
Net cash used in operating activities	(880,329)	(1,474,501)
Cash flows from investing activities:		
Purchases of equipment (note 6)	(71,498)	(54,428)
Proceeds from disposal of equipment	4,240	–
Net cash used in investing activities	(67,258)	(54,428)
Cash flows from financing activities:		
Government funding	1,400,000	1,500,000
Net cash provided by financing activities	1,400,000	1,500,000
Net increase/(decrease) in cash and cash equivalents	452,413	(28,929)
Cash and cash equivalents, beginning of year	(52,196)	(23,267)
Cash and cash equivalents, end of year	\$ 400,217	(52,196)

Cash and cash equivalents are comprised:

Cash at bank and on hand	\$ 400,217	18,022
Bank overdraft	–	(70,218)
Cash and cash equivalents, end of year	\$ 400,217	(52,196)

See accompanying notes to financial statements.

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008
(Expressed in Bahamian dollars)

1. General information

The Securities Commission of The Bahamas (“the Commission”) was established on June 20, 1995 under The Securities Board Act, 1995 of The Commonwealth of The Bahamas, which was repealed by Section 98 of the Securities Industry Act, 1999, on the renaming of the Commission. The principal place of business is located on the Third Floor, Charlotte House, Shirley and Charlotte Streets, P.O. Box N-8347, Nassau, Bahamas.

The primary function of the Commission is to monitor and regulate the securities market and the investment funds industry in The Bahamas.

Effective November 2000, licensed banks, trust companies and individuals that are engaged in various aspects of the securities business and that are in good standing with The Central Bank of The Bahamas, must also register with the Commission. As a result, the Commission also earns fee income from broker-dealers, securities investment advisors and associated persons.

Effective January 1, 2008 the Commission was appointed as Inspector of Financial and Corporate Service Providers, which is governed under the Financial and Corporate Service Providers Act, 2000.

The Commission is a body corporate having perpetual succession and a common seal, with the power to purchase, lease or otherwise acquire and hold and dispose of land and other property of whatever kind. The Commission may also sue or be sued in its corporate name.

2. Basis of preparation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Functional and presentation currency

The financial statements are presented in Bahamian dollars, the Commission’s functional and presentation currency.

(c) Basis of measurement

The financial statements are prepared on a historical cost basis.

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008

(Expressed in Bahamian dollars)

2. Basis of preparation *(continued)*

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 3(b) and 3(d).

3. Significant accounting policies

The accounting policies have been applied by the Commission consistently and are consistent with those used in the previous year.

(a) Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred in the replacement of equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the equipment. All other expenditure is recognized in the statement of operations as an expense as incurred.

Depreciation is charged to the statement of operations on a straight-line basis over the estimated useful lives of the equipment as follows:

Computer equipment	5 years
Furniture and fittings	5 years
Vehicles	5 years

A full year's depreciation charge is made in the year of purchase.

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(b) Impairment

The carrying amounts of the Commission's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of operations.

An impairment loss in respect of a receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of equipment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(c) Operating leases

Lease rentals relating to office spaces are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

(d) Accounts receivable and accounts payable

Accounts receivable are stated at cost less provision for doubtful accounts and impairment.

Accounts payable are stated at cost.

(e) Cash and cash equivalents

Cash and cash equivalents represent petty cash, demand cash at bank less bank overdraft.

(f) Government grants

Government funding is accounted for when received and credited directly to the statement of accumulated operating deficit and reserve funds.

(g) Income

Fees receivable from investment funds, investment fund administrators, broker-dealers, security investment advisors and associated persons are accounted for when they become due.

(h) Defined contribution pension plan

Contributions to the Commission's defined contribution pension plan are recognized as an expense in the statement of operations as incurred.

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(i) IFRSs not yet effective

Up to the date of these financial statements, the International Accounting Standards Board has issued a number of new standards, amendments to existing standards and interpretations which are not yet effective for the year ended December 31, 2008 and which have not been adopted in these financial statements.

The Commission is in the process of making an assessment of what the impact of these new standards, amendments to existing standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Commission's financial position.

4. Accounts receivable

	2008	2007
Investment funds and administrators	\$ 45,305	42,617
Broker-dealers, securities advisors and associated persons	36,204	76,063
Financial and corporate service providers	22,250	–
Other receivables	42,021	15,907
	145,780	134,587
Less: allowance for doubtful accounts	–	–
	\$ 145,780	134,587

The aging analysis of accounts receivable as at December 31 is as follows:

2008

	0-60 days	61 - 120 days	> 120 days	Past due and impaired	Total
	\$	\$	\$	\$	\$
Investment funds and administrators	10,717	3,458	31,130	–	45,305
Broker-dealers, security advisors and associated persons	4,825	2,000	29,379	–	36,204
Financial and corporate service providers	9,000	–	13,250	–	22,250
Other receivables	16,737	17,797	7,487	–	42,021
Total	41,279	23,255	81,246	–	145,780

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008

(Expressed in Bahamian dollars)

4. Accounts receivable *(continued)*

2007

	0-60 days	61 - 120 days	> 120 days	Past due and impaired	Total
	\$	\$	\$	\$	\$
Investment funds and administrators	8,959	10,062	23,596	–	42,617
Broker-dealers, security advisors & associated persons	7,971	100	67,992	–	76,063
Other receivables	541	1,432	13,934	–	15,907
Total	17,471	11,594	105,522	–	134,587

5. Bank overdraft

The Commission has a bank overdraft facility amounting to \$750,000 (2007 - \$750,000) and it bears interest at Bahamian Dollar Prime plus 1% per annum, which is currently 6.5% (2007 - 6.5%). The Government of the Bahamas issued a letter of comfort dated June 26, 2007 as security for the bank overdraft facility.

6. Equipment

	Computer equipment	Furniture & fittings	Vehicles	Total
Cost, December 31, 2007	\$ 449,852	364,851	59,940	874,643
Additions	49,305	22,193	–	71,498
Disposals	(156,778)	(1,576)	–	(158,354)
Cost, December 31, 2008	\$ 342,379	385,468	59,940	787,787
Accumulated depreciation, December 31, 2007	\$ 359,844	324,985	51,562	736,391
Charge for the year	47,300	19,910	4,189	71,399
Disposals	(155,709)	(1,576)	–	(157,285)
Accumulated depreciation, December 31, 2008	\$ 251,435	343,319	55,751	650,505
Net book value, December 31, 2008	\$ 90,944	42,149	4,189	137,282
Net book value, December 31, 2007	\$ 90,008	39,866	8,378	138,252

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008

(Expressed in Bahamian dollars)

7. Deferred revenue

	2008	2007
Investment funds	\$ 41,794	78,100
Securities firms	60,900	77,750
Financial and corporate service providers	45,250	–
	\$ 147,944	155,850

8. Reserve funds

The Commission may from time to time carry surplus funds to a reserve fund, or invest these funds in securities approved by the Minister of Finance ("the Minister"). Any such treatment must be with the prior consent of the Minister.

The reserve fund shall be established by the Commission, and the funds applied only for purposes of the Commission. The Minister, however, may direct the Commission on any matters concerning the establishment and management of the fund and movements to and from the fund. The Minister may also direct surplus or reserve funds to be paid into the Consolidated Fund of The Bahamas Public Treasury.

As the Commission incurred an operating deficit in the current and prior year, there were no surplus funds available from operations.

9. Commitments and contingencies

- (i) The Commission has leased office space under two lease agreements that were renewed on February 1, 2006 for a period of 3 years, with the option to renew them for a further 3 years. The annual lease payments will be determined at the time of renewal using a price index. In 2009, the Commission exercised the option to renew the lease for a further 3 years. The lease expires on January 31, 2012. The future minimum lease payments are as follows:

- Within one year \$ 302,375
- More than one year and less than five years 633,305

- (ii) In the normal course of its business, the Commission is involved in various legal proceedings arising out of and incidental to its operations. Management of the Commission does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Commission.

The Commission is the defendant in a legal action brought against it by a former employee. The Commission's attorneys have not quantified the amount of the claim and have advised that the plaintiff is not expected to succeed.

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008

(Expressed in Bahamian dollars)

10. Defined contribution pension plan

The Commission implemented a defined contribution pension plan on January 1, 1999 for all members of staff. Participation in the plan is mandatory and contributions by the Commission and the employees are 10% and 5% of employee salaries, respectively. The pension plan is administered by Colina Financial Advisors. Contributions to the plan by the Commission during the year amounted to \$159,063 (2007 - \$157,314) and are included in salaries, wages and benefits in the statement of operations.

During 2008 Colina Financial Advisors reimbursed the Commission \$78,858 (2007 - \$48,716) for the unvested portion of pension contributions made on behalf of individuals that ceased employment with the Commission. The reimbursement is included in salaries, wages and benefits in the statement of operations.

11. Going concern

The accompanying financial statements have been prepared on the basis that the Commission will continue as a going concern. Notwithstanding the fact that:

- (a) the Commission experienced an operating deficit for the year of \$1,119,360 (2007 - \$1,395,190) before Government funding of \$1,400,000 (2007 - \$1,500,000); and
- (b) the Commission had an accumulated operating deficit of \$9,542,214 (2007 - \$8,422,854) before accumulated Government funding of \$9,809,443 (2007 - \$8,409,443), resulting in a net surplus in the accumulated operating deficit and reserve funds of \$267,229 (2007 - net deficit of \$13,411),

management considers the Commission to be a going concern based on its expectation that the Government of the Commonwealth of The Bahamas will continue to provide financial support as needed. The Commission will only be able to continue as a going concern by attaining profitable operations and/or with continued financial support from the Government of the Commonwealth of The Bahamas.

Subsequent to the year end the Commission received Government funding in the amount of \$400,000, out of the \$1,400,000 allocated from the Government in respect of the financial year 2009.

12. Related party transactions and balances

Honoraria to members

Included in the statement of operations is \$59,825 (2007 - \$57,875) as honoraria to the members of the Board. Also included is \$19,500 (2007 - \$19,500) as honoraria to the members of the Commission's Disciplinary Committee.

SECURITIES COMMISSION OF THE BAHAMAS

Notes to Financial Statements

Year ended December 31, 2008
(Expressed in Bahamian dollars)

12. Related party transactions and balances (*continued*)

Travel and entertainment

Included in the statement of operations is \$82,743 (2007 - \$64,492) relating to travel and entertainment expense related to members of the board incurred in the conduct of Commission business.

Executive remuneration and pension contributions

Included in salaries, wages and benefits in the statement of operations is remuneration of \$661,703 (2007 - \$744,062) and pension contributions of \$47,448 (2007 - \$29,217) relating to key management personnel. Included in accounts payable and accrued expenses in the balance sheet is \$14,636 (2007 - \$2,000) accrued for key management personnel remunerations.

13. Financial instruments and associated risks

Management estimates that the fair values of financial assets and liabilities do not differ materially from their carrying values due to their short-term or liquid nature.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Commission is exposed to credit risk on accounts receivable and provides for amounts not considered to be collectible.

Liquidity risk is the risk that the entity will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility that the entity could be required to pay its liabilities earlier than expected. The Commission is exposed to liquidity risk on accounts payable and accrued expenses. The Commission's overdraft facility is available to meet these commitments if they were to become due immediately.



THE SECURITIES COMMISSION OF THE BAHAMAS
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