



INDUSTRY BRIEFING

FINANCIAL AND CORPORATE SERVICE PROVIDERS

Monday 3rd March 2014 at the British Colonial Hilton, New Providence

Monday 10th March 2014 at the Pelican Bay Hotel, Grand Bahama



Securities Commission of The Bahamas –
Inspector of Financial and Corporate Services

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THE LICENSING OF FINANCIAL AND CORPORATE SERVICE PROVIDERS

- Application and Licensing Process
- Definition of Financial & Corporate Services
- Appointment of Money Laundering Reporting Officers
- Common Deficiencies in Applications
- Management of Accounting Records – Legislative Development



Presenter: Sandra Duncombe, Deputy Manager
– Authorisations Department

THE APPLICATION PROCESS

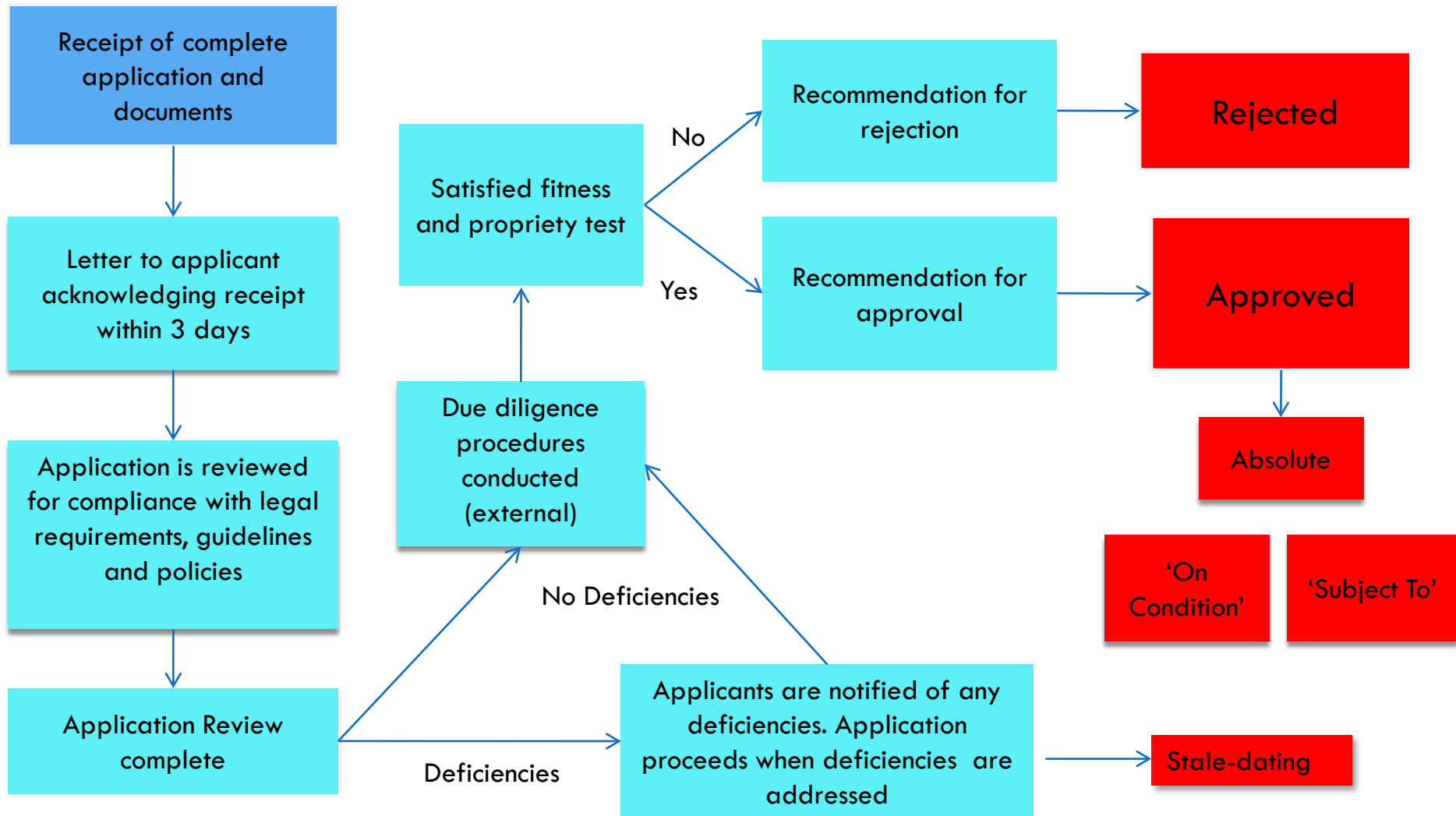
REQUIREMENTS FOR LICENSING

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">• Evidence of being Fit and Proper• Business License• Business Plan<ul style="list-style-type: none">• Internal control processes• Synopsis of the anti-money laundering policies along with a summary of the due diligence process for vetting clients, Suspicious Transaction Report (STR) and Record Retention• Additional information is required for entities intending to provide money lending services.
Application Fee	\$250.00



THE APPLICATION PROCESS



THE APPLICATION PROCESS

CATEGORIES OF PERSONS ELIGIBLE FOR LICENSING

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

KYC REQUIREMENTS

INDIVIDUALS

- Satisfaction of Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) Guidelines
- Certified copy of a Passport or other document that verifies the applicant's identity
- Evidence of Fitness and Propriety (e.g. character and financial references, CV)

PARTNERSHIPS, FIRMS, CORPORATE ENTITIES, UNINCORPORATED BODIES

- Satisfaction of AML/CFT Guidelines
- Constitutive or Formation Documents
- Financial Statements (if applicable)
- Registers of Directors, Officers and Shareholders
- Evidence of Fitness and Propriety (e.g. character and financial references, CV)



FINANCIAL SERVICES

FINANCIAL SERVICES ARE:

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

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

CORPORATE SERVICES

- Registration or management and administration of international business companies incorporated or existing under the International Business Companies (IBC) Act;
- Registered agent and registered office services for International Business Companies (IBCS);
- Provision of directors, officers and nominee shareholders for IBCs;
- Provision of partners for partnerships registered and existing under the Exempted Limited Partnership Act; and
- Provision of registered agent and registered office services for partnerships registered and existing under the Exempted Limited Partnership Act.

APPOINTMENT OF MONEY LAUNDERING REPORTING OFFICERS (MLROs)

Section 5(a) of the Financial Intelligence (Transactions Reporting) Regulations, 2001 (FI(TR)R) requires a financial institution to identify and appoint a Money Laundering Reporting Officer (MLRO) to whom suspicious transaction reports are to be made who shall be registered with the Financial Intelligence Unit.

- Requirement under the FI(TR)R, 2001
- Register with the Financial Intelligence Unit (FIU) on the fitness and propriety assessment of the Inspector

COMMON APPLICATION DEFICIENCIES

- Failure to submit Business License
- Failure to submit Business Plan
- Failure to notify or appoint the Money Laundering Reporting Officer (MLRO)
- Failure to submit application fee

MANAGEMENT OF ACCOUNTING RECORDS GUIDELINES

RECORD KEEPING REQUIREMENTS FOR FCSPS

- Organization for Economic Cooperation and Development's (OECD) Peer Review (A2)

OBLIGATION TO FILE WITH THE REGISTRAR GENERAL'S DEPARTMENT

- Accounting Records Order
- Declaration

ROLE OF THE INSPECTOR

- Monitor
- Produce Guidelines



MANAGEMENT OF ACCOUNTING RECORDS GUIDELINES

HIGHLIGHTS OF RECORD TYPES:

Transactions records should include details of:

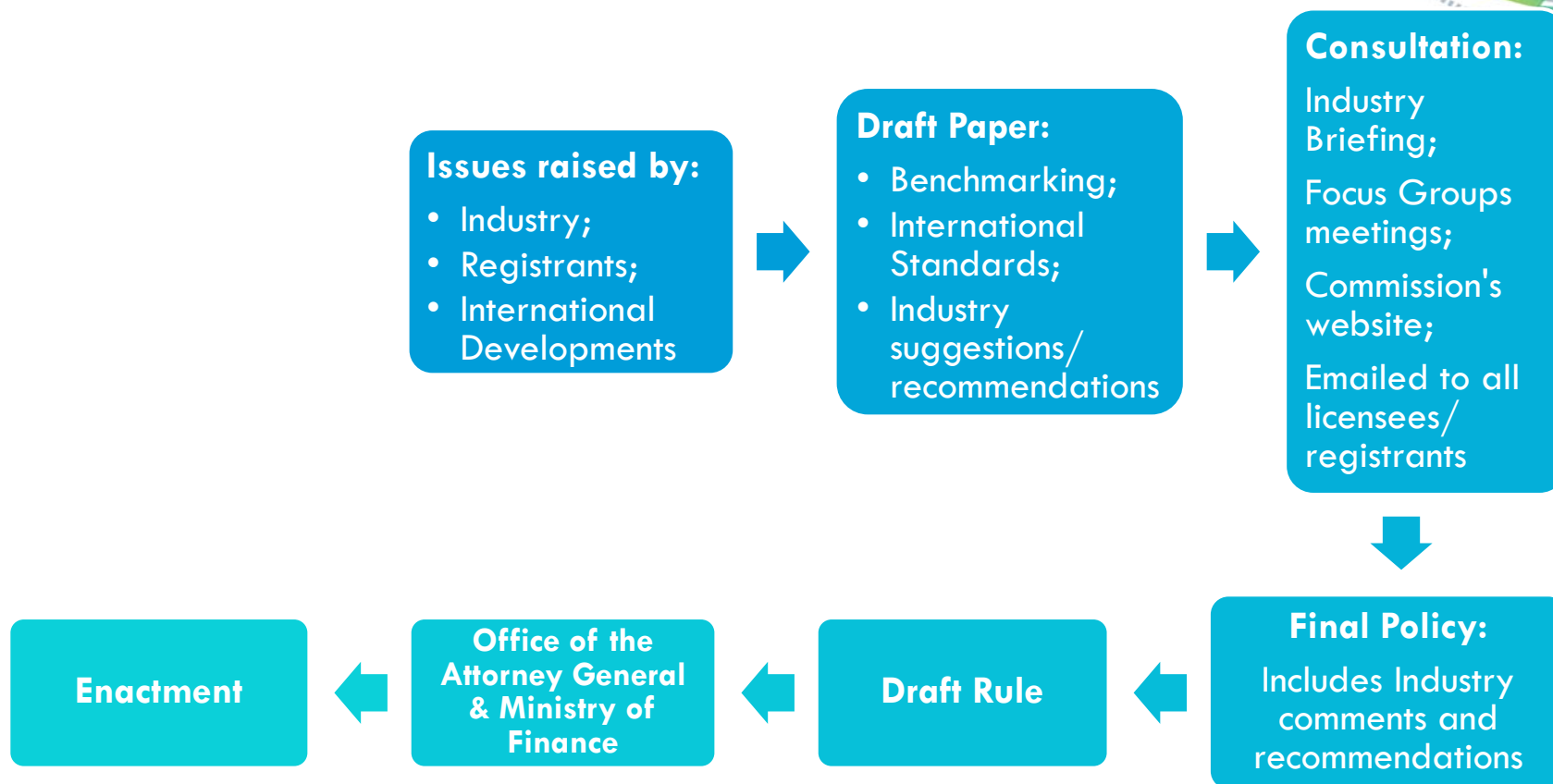
- Identities of counterparties
- Types of investments
- Value of the transactions
- Purchase/sales documents
- Evidence of volume and source of funds

MANAGEMENT OF ACCOUNTING RECORDS GUIDELINES

- Records kept in readily retrievable form:
- Original hard copy
- Microform
- Electronic data

TESTING WILL NO LONGER BE REQUIRED BY FCSPs

CONSULTATION PROCESS





CONTINUING OBLIGATIONS & CONCERNS RELATED TO FINANCIAL AND CORPORATE SERVICE PROVIDERS

- Fees
- Material Change Reporting
- Compliance Measures



Presenter: Kaylisa Adderley
– Assistant Manager, Market Surveillance

CONTINUING OBLIGATIONS FOR FINANCIAL & CORPORATE SERVICE PROVIDERS

Renewal of Licence:

• Fees	Annually – by 31 January
• Business Licence	Annually
• 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

Compliance Measures for Licensees

- FCSPA Licence to be displayed Section 8
- Duty to maintain professional conduct Section 13
- Obligation of a licensee to clients:
 - Verify identity of client;
 - Obtain contact details of any client who gives instructions to carry out a function along with two sources of character references; and Section 14
 - Licensee shall keep a record in respect of each client (not less than 6 years).
- Maintenance of clients records Section 15



MONITORING & SURVEILLANCE PROGRAMME

FINANCIAL AND CORPORATE SERVICE PROVIDERS

- Appointment of Agents
- Agent Training and Examinations
- Risk Based Approach
- FCSP Risk Assessment Survey



Presenter: Altermize Missick, Senior Inspector
– Inspections Department

APPOINTMENT OF AGENTS

- Licensee required to be examined
- The **Routine Examination** is performed by Agents of the Inspector.
- All Bahamas Institute of Chartered Accountants (BICA) licensees in good standing are eligible
- Inspector's legislative authority to appoint agents to conduct examinations of FCSPs.
- Section 11(3)(b) of the FCSPA, 2000

AGENTS' APPLICATION PROCESS

- Completed application form;
- Mandatory training for all Agents;
- Executed Agent agreement for the year;
- Online access; and
- Approved Agents listed on the Commission's website

TYPES OF FCSP EXAMINATIONS



THERE ARE FOUR TYPES OF EXAMINATIONS:

- Routine examinations, conducted by Agents;
- Follow up, conducted by the Inspector;
- Random, conducted by Inspector only; and
- Special examinations.

FCSP EXAMINATION

The examination requires the completion of a set of objectives designed to address licensees' compliance with:

Anti Money Laundering and Countering the Financing of Terrorism Legislation, the Financial and Corporate Service Provider Legislation, International Business Companies Act, etc.

- Current business licence;
- Bank reconciliations reviews; and
- Business continuity plan

FCSP EXAMINATION

FORMER EXAMINATION

- Focus was AML/CFT
- Scope was designed to detect breaches of the Financial Transaction Reporting Act (FTRA) and accompanying Regulations
- Operational Risk not addressed
- Did not satisfy the Inspector's obligation under Part IV of the FCSPA, 2000

FCSP EXAMINATION



NEW EXAMINATION

- Full Scope exam
- Licensee's operation as a whole

Additional information now being reviewed includes:

- Bank reconciliations for companies that hold clients' funds;
- Disaster Recovery Plans;
- A current business licence;
- Qualifications of the persons involved in the activities of the FCSP; and
- Supporting documents of Financial Transactions over \$15,000.00.

FCSP EXAMINATION PROCESS

- Licensee selects an approved Agent
- The exam is completed and submitted
- Inspections department sends an acknowledgement
- Improperly completed examinations addressed with Agent
- Non-compliance issues raised with Licensee

FEE AGREEMENT IS BETWEEN AGENT AND LICENSEE



DEADLINES FOR EXAMINATIONS

Exam Year	Deadline	Extended
2012	31 December 2013	15 February 2014
2013	30 June 2014	N/A
2014 +	30 June 2015+	N/A

The deadline for the 2013 exam period is 30 June, which will be the new deadline for submission going forward.

RISK BASED APPROACH

- To assess risk inherent in business
- To rate the business/frequency and depth of the inspections
- To ensure the inspections are appropriate for business, risk and regulatory expectations.

FCSP RISK ASSESSMENT SURVEY

- A survey was developed
- Used to rate the business
- In-depth view of the services offered by the FCSP
- Delay in this process due to low response by some FCSPs
- New survey will be made available

FCSP RISK ASSESSMENT SURVEY

BENEFITS OF COMPLETING SURVEY:

- An annual exam may not be required
- Examination may be on a rotation schedule
- Cost/savings

FCSP EXAMINATION SUMMARY

ON-SITE EXAMINATIONS:

- To assist regulator and company being examined.
- Deficiencies highlighted
- Maintaining proper policies and procedures
- Audit trail

FCSP EXAMINATION SUMMARY

- Be mindful of deadline for the submission of exams which is 30 June of each year.
- Completion of survey very important and beneficial.

QUESTIONS & ANSWERS



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THANK YOU



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