



INDUSTRY BRIEFING

FINANCIAL AND CORPORATE SERVICE PROVIDERS

3 March 2015 – Grand Bahama

5 March 2015 – New Providence



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



Tuesday, 3 March 2015
Pelican Bay Hotel, Grand Bahama

Presenter:
Stephen Coakley Wells – Deputy Executive Director



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



Thursday, 5 March 2015
British Colonial Hilton, New Providence

Presenters:

Omara Bingham – Manager, Authorisations

Mechelle Martinborough – Legal Counsel

Christian Adderley – Assistant Manager, Market Surveillance

Altermize Missick – Manager, Inspections



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AUTHORISATION DEPARTMENT UPDATES

- Corporate Services versus Financial Services
- Appointment of MLROs
- Secondhand Dealers of Precious Metals and Precious Stones



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SERVICES REQUIRING LICENSING

CORPORATE SERVICES

- Registration/Management & Administration Services to **IBCs**
- Registered Agent and Registered Office Services to **IBCs** or **ELPs**
- Directors and Officers to **IBCs**
- Nominee Shareholders to **IBCs**
- Partners for **ELPs**

FINANCIAL SERVICES

- Money Lending
- Financial Leasing
- Money Broking
- Payday and Cash Advance
- Credit Extension (Debt collection)
- Mortgage Broking
- Escrow Services
- Advisory, Intermediation and other auxiliary financial services on all the activities listed above



EXCLUDED SERVICES

CORPORATE SERVICES

- Any Corporate Service to companies incorporated under the Companies Act, 1992

FINANCIAL SERVICES

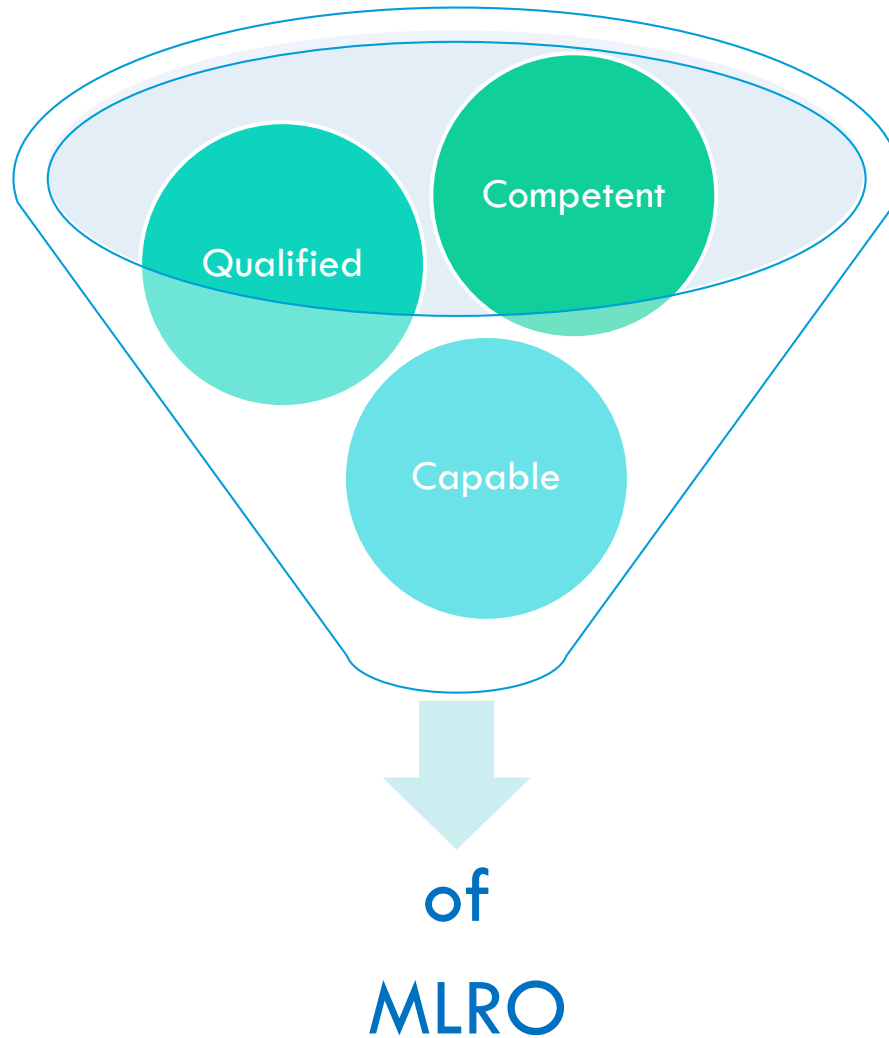
- Money lending ancillary to primary business
- Money lending to employees as a benefit of employment
- Financial leasing arrangements for consumer products



APPOINTMENT & REGISTRATION OF MLRO

- **ALL** licensed FCSPs are required to appoint an MLRO [Regulation 5 of the FI(TR)R, 2001]
- **ALL** appointed and approved MLRO's **must** be registered with the FIU
- The nominated MLRO must satisfy minimum requirements as set out in the 2010 jointly issued **Guidance Notes for Assessing the Fitness and Propriety of Money Laundering Reporting Officers (MLRO) in The Bahamas**

ASSESSING FITNESS AND PROPRIETY





REQUIREMENTS FOR APPROVAL OF MLRO AND REGISTRATION WITH FIU

1. Due Diligence Information
2. Board Resolution appointing MLRO
3. Organisational Chart showing reporting relationships
4. Outsourcing Agreement (if applicable)

Should the nominee be deemed fit and proper, notification will be provided to the licensed FCSP, who must ensure that the nominee is registered with the FIU.



SECONDHAND DEALERS OF PRECIOUS METALS AND PRECIOUS STONES

- Pursuant to the Financial Transactions Reporting (Amendment) Act, 2014 - Dealers of Secondhand Precious Metals & Stones will be deemed “Financial Institutions” and **will be** required to comply with the provisions of the FTRA and related legislation.
- The Inspector will assume responsibility and oversight of Dealers of Second Hand Precious Metals & Stones.



UPDATES ON LEGISLATIVE DEVELOPMENTS

- Background
- Intended Review and Repeal
- Areas to be Addressed



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BACKGROUND

- FCSPA Legislative Initiative from 1998 OECD Blacklisting
- Focus to ensure oversight of unregulated Financial Services and Corporate Services
- Application of legislation unclear
- Created authorisation regime
- No ongoing obligations



INTENDED REVIEW AND REPEAL

- Planned review since 2010
- Established Group of Financial Services Regulators Team
- Review and Benchmark
- Determine whether Amend or Repeal
- Draft
- Consultation
- Promulgation



AREAS TO BE ADDRESSED

- Definition of Financial Services
- Application to Corporate Services
- Definition of Eligible Applicants
- Ongoing Supervisory Regime and Obligations
- Clarification of Application of Fees
- Enforcement



CONTINUING OBLIGATIONS & CONCERNS

- Fees
- Material Change Reporting
- Compliance Measures



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CONTINUING OBLIGATIONS

Renewal of Licence:

▪ Fees	Annually – by January 31
▪ Business Licence	Annually
▪ Annual Information Update Form	Annually

Material Change Reporting:

▪ Notification – Change in particulars of Licencee	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

Compliance Measures for Licencees

▪ FCSP Licence to be displayed		Section 8
▪ Duty to maintain professional conduct		Section 13
▪ Obligation of a licencee to clients <ul style="list-style-type: none">• Verify identity of client		Section 14
▪ Maintenance of clients records		Section 15



DUE DILIGENCE REFRESHER

Ensure Compliance of Material Obligations

- | | |
|---|------------|
| ▪ Notification of change in particulars | Section 7 |
| ▪ Register of Management Companies | Section 13 |
| ▪ Ensure “Fit and Proper” | Section 4 |
- Update records of existing licencees
 - Reputation of the jurisdiction





MONITORING & SURVEILLANCE PROGRAMME

- Appointment of Agents
- The On-site Examination
- FCSP Common Deficiencies
- FCSP Risk Rating Exercise



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APPOINTMENT OF AGENTS

- Licencees are required to select an authorised agent to perform the routine on-site examination
- A list of approved Authorised Agents will be posted to the Commission's website
- Inspector's legislative authority to appoint agents to conduct examinations of FCSPs
 - Section 11(3)(b) of the Financial and Corporate Service Providers Act, 2000



TYPES OF FCSP EXAMINATIONS

- There are four types of examinations:
 - Routine - conducted by agents;
 - Follow up - conducted by the Inspector;
 - Random - conducted by Inspector only; and
 - Special examinations.



FCSP EXAMINATION

- The on-site examination is conducted to ensure compliance with:
 - Anti Money Laundering (AML)/Counter Terrorism Financing (CFT) Legislation;
 - Financial and Corporate Service Providers Act;
 - International Business Companies Act; and
 - Any other law.



FCSP EXAMINATION

- The on-site examination is a full scope exam.
- The examination reviews the following:
 - Assets under Management/Administration;
 - Financial Statements;
 - Bank Reconciliations;
 - Disaster Recovery Plan;
 - Current Business Licence;
 - Qualifications of persons involved in the activities of the FCSP; and
 - Financial Transactions over \$15,000.00.



DEADLINES FOR EXAMINATION

Exam Year	Deadline	Extended
2014	June 30, 2015	N/A
2015 +	June 30, 2016+	N/A



COMMON EXAMINATION DEFICIENCIES

- Failure to appoint Money Laundering Reporting Officer
- Failure to provide relevant employees with AML training at least once a year
- Failure to submit business licence



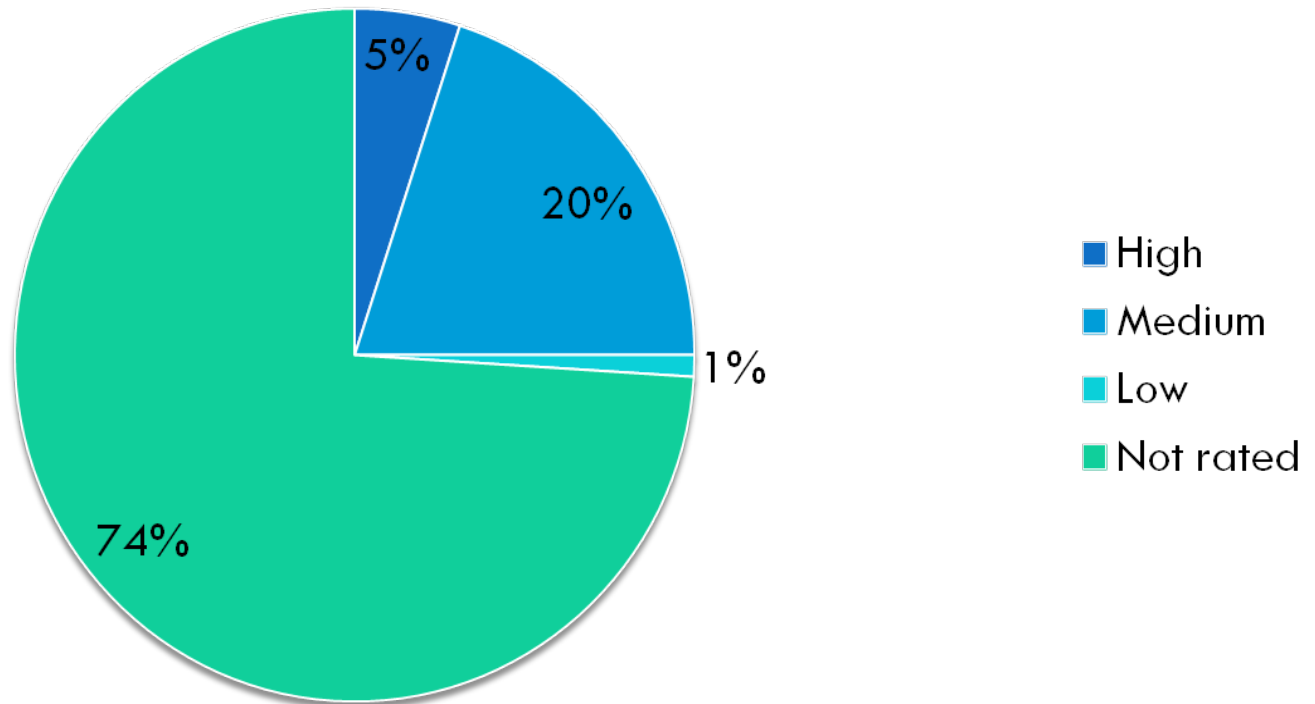
FCSP RISK RATING EXERCISE

- Survey submitted to the industry
- Risk rating of FCSPs
- Frequency for submission of routine examination

Overall Risk Rating	Frequency to Submit On-site Examination	Next Examination Period	Due Date
High	Annual	2014	June 2015
Medium	Every 3 years	2016	June 2017
Low	Every 5 years	2018	June 2019
Not rated	Annual	2014	June 2015

RESULTS OF RISK RATING EXERCISE

Overall Risk Rating



QUESTIONS & ANSWERS





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THANK YOU

