



INDUSTRY BRIEFING

SECURITIES &
INVESTMENT FUNDS INDUSTRIES

Thursday 28 July 2016
British Colonial Hilton, New Providence



Property of the Securities Commission of The Bahamas



DISCLAIMER

This document is the property of the Securities Commission of The Bahamas and is for information purposes only. No material contained herein supersedes or overrides any obligations or conditions as presented in duly promulgated securities laws.

The views expressed in this presentation are those of the presenter(s), and do not necessarily represent the views of the Board or Management of the Commission. Promulgated securities laws may be found on the Commission's website (www.scb.gov.bs).



WELCOME REMARKS

THE HON. MICHAEL B. HALKITIS, M. P.
MINISTER OF STATE IN THE MINISTRY OF FINANCE



Property of the Securities Commission of The Bahamas



OPENING REMARKS

MRS. TONYA BASTIAN GALANIS - CHAIRMAN
SECURITIES COMMISSION OF THE BAHAMAS



Property of the Securities Commission of The Bahamas



ORGANISATIONAL DEVELOPMENTS

- 2015 Results & Year in Review
- International Updates
- 2016 Initiatives



Presenter: Ms. Christina Rolle, Executive Director



PRESENTATION OUTLINE

- ❑ 2015 Overview
 - Operational and Legislative Achievements
 - Results
- ❑ Updates from IOSCO
 - Enhanced Multilateral Memorandum of Understanding (EMMoU)
 - International Requests for Information
- ❑ 2016 Initiatives
 - Overhaul of the Investment Funds Act
 - Overhaul of the Financial and Corporate Service Providers Act
 - Development of Crowd Funding Rules
 - Development of Rules for SME Financing
 - Financial Literacy / Investor Education



2015 Overview

- Operational Achievements and Projects
 - Development of Internal Compliance Function
 - Work on Internal Procedures and Processes ongoing
 - Completed applications now processed within 30 days
 - 50% more examinations completed/300% increase from 2013
 - Courtesy Call Initiative
 - 2015-2017 Chair of CGSR
 - US SEC/SCB joint Capital Markets Development and Oversight Training Programme
 - Investor Education / Booklet: “Tips to Avoid Frauds and Scams”
 - Commencement of Vizor Project to enhance supervisory information



2015 Overview

□ Legislative Accomplishments

- Resolution on segregation - Amendment to regulation 88 of SIR, 2012
- Amendment to regulation 69 of SIR, 2012
- Development of suitability guidelines
- Passage of AML/CFT Rules



2015 RESULTS

FINANCIAL RESULTS	
Total Income	\$ 5,993,412
Total Expenses	\$ 5,742,694
Net Income	\$ 250,718

2015 RESULTS

LICENSING ACTIVITY

	SIA, 2011		IFA, 2003			FCSPA, 2000
	Firms	Individuals	Administrators	Investment Funds (Licensed/ Registered by SCB)	Investment Funds (Licensed by UIFAs)	All Applicants
No. of Applications Received	25	203	3	26	N/A	34
No. of Approvals/ Licences Granted	24	190	5	20	144	16



INTERNATIONAL UPDATES

IOSCO INITIATIVES

❑ Policy Guidelines

- Credible Deterrence in the Enforcement of Securities Regulation
 - Identifies and promotes awareness of factors that may deter misconduct in securities markets
- Corporate Governance Paper
 - Addresses key topics of corporate governance recognizing main gaps between theory and market reality

❑ Initiatives

- Enhanced Multilateral Memorandum of Understanding (EMMoU)



EMMoU

- ❑ Current MMoU established in 2002
- ❑ Int'l benchmark for cross-border cooperation
- ❑ Common understanding on consultation, cooperation and information exchange
- ❑ Vital tool for combating cross-border fraud and misconduct
- ❑ Changing environment/advancements in technology drove need for further standard
- ❑ IOSCO seeks to usher in a new era of improved international enforcement cooperation



EMMoU

- ❑ Key new EMMoU powers “ACFIT”
 - To obtain and share **A**udit papers
 - To **C**ompel attendance for testimony
 - To assist and provide information to another regulator on how to **F**reeze assets
 - To Obtain and share existing **I**nternet Service Provider records
 - To Obtain and share existing **T**elephone records
- ❑ ACFIT powers to enable securities regulators to respond to risks and challenges posed by globalization and advances in technology
- ❑ IOSCO Board discussing potential arrangements for implementation
- ❑ EMMoU to co-exist with MMoU



INTERNATIONAL UPDATES

REQUEST FOR INFORMATION

Country	Number of Requests Received	
	2015	2014
The Bahamas	22	17
Bermuda	14	38
British Virgin Islands	34	43
Cayman Islands	44	36
Luxembourg	83	76
Jersey	10	15
Guernsey	16	7
United States	165	0



2016 COMMISSION INITIATIVES

- ❑ Implementation of Risk Based Supervision
- ❑ Overhaul of Investment Funds Act
 - Project Launch 1st July 2016
 - New legislation to address deficiencies in IMF's 2013 Financial Sector Stability Assessment Report
- ❑ Overhaul of Financial and Corporate Service Providers Act
 - Focus group meetings held Jan-Feb 2016
 - Drafting commenced in house 9th May 2016



2016 COMMISSION INITIATIVES

- ❑ Development of Crowd Funding Rules
 - White paper drafted
 - Industry consultation
 - Finalisation of Rules

- ❑ Development of Rules for SME Financing
 - Currently benchmarking
 - White paper to be drafted
 - Industry Consultation
 - Finalisation of Rules



2016 COMMISSION INITIATIVES

- ❑ Financial Literacy/Investor Education
 - Embedding in National Curriculum
 - Increasing Publications
 - Investor Education Microsite
 - Fall Media Campaign



OFFICE OF LEGAL COUNSEL

- CFATF Review
- Suitability Guidelines
- Corporate Governance



Presenters: Mr. Rico Russell, Legal Officer &
Ms. Odecca Gibson, Deputy Legal Counsel



CFATF

MUTUAL EVALUATION REPORT (MER)

- ❑ 4th round MER period November 2015
- ❑ Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) regime
- ❑ Two components to a MER:
 - Technical Compliance (“TC”)
 - Effectiveness Assessment (“EA”)
- ❑ TC + EA = strength of AML/CFT regime by Financial Action Task Force (FATF) standards



EFFECTIVENESS ASSESSMENT (EA)

- ❑ The EA seeks to test ten immediate outcomes.
- ❑ Four immediate outcomes that are specific to the securities industry:
 - Risk, Policy and Co-ordination
 - International Cooperation
 - Supervision
 - Preventative Measures



IMMEDIATE OUTCOME: 1

☐ Risk, policy and co-ordination

- i. How well does the country understand its ML/TF risks?
- ii. How well are the identified ML/TF risks addressed by the AML/CFT policies and activities?
- iii. To what extent are the results of the assessment(s) of risks properly used to justify exemptions and support the application of enhanced measures for higher risk scenarios, or simplified measure for lower risk scenarios?



IMMEDIATE OUTCOME: 2

□ International Cooperation

- i. To what extent has The Bahamas provided constructive and timely mutual legal assistance across the range of international co-operation request?
- ii. How well are competent authorities providing and responding to foreign requests for cooperation in identifying and exchanging basic and beneficial ownership information of legal persons and arrangements?



IMMEDIATE OUTCOME: 3

☐ Supervision

- i. Preventing criminals and their associates from holding, or being the beneficial owners of, a significant or controlling interest or a management function in financial institutions; and
- ii. What sanctions are in place, relative to violations of AML/CFT requirements or failing in money laundering and terrorist financing risk management.



IMMEDIATE OUTCOME: 4

□ Preventative Measures

- i. Do financial institutions understand their ML/TF risks and AML/CFT obligations?
- ii. Do financial institutions apply enhanced or specific measures for (a) PEPs, (b) correspondent banking, (c) new technologies, (d) wire transfers rules, (e) higher risk countries?
- iii. Do financial institutions apply internal controls and procedures including group level, to ensure compliance with AML/CFT requirements?



PLENARY

□ Next steps:

- i. Finalization of the MER at the CFATF plenary
 - 4th round MER
- ii. Where a country has insufficiently addressed its AML/CFT FATF the plenary can make the following recommendations:
 - Follow up process
 - Enhanced follow up process
 - CFATF International Country Risk Group (ICRG) monitoring process



CFATF RELATED INITIATIVES

- ❑ Securities Industry (AML/CFT) Rules 2015
- ❑ AML/CFT Guidelines
- ❑ Risk Based Approach
- ❑ AML/CFT sanctions regime is being developed



NEW GUIDELINES/RULES

SECURITIES INDUSTRY REGULATIONS, 2012	SUITABILITY GUIDELINES
Regulations 69	<p>Guidelines will address the due diligence and classification of clients:</p> <ul style="list-style-type: none">a) Discretionary Management;b) Advisory Services for professional and Sophisticated Investors;c) Advisory Services for Retail Clients;d) Execution only services for professional and sophisticated investors;e) Execution only services for retail investors; andf) Additional due diligence for execution only services



SUITABILITY CHART

	ADVISORY SERVICES			EXECUTION-ONLY SERVICES		
	Retail Investor	Sophisticated investor	Professional Investor	Retail Investor	Sophisticated investor	Professional Investor
Financial Circumstances	Yes	No	No	No	No	No
Risk Tolerance	Yes	No	No	No	No	No
Investment Knowledge & Experience	Yes	No	No	Yes	No	No
Investment Needs & Objectives	Yes	Yes	Yes	No	No	No



PUBLIC TRUST 101

CORPORATE GOVERNANCE IS GOOD FOR BUSINESS!



Property of the Securities Commission of The Bahamas



WHAT IS CORPORATE GOVERNANCE?

“Set of relationships between a company’s management, its Board, its shareholders and other stakeholders. It provides the structure through which the objectives of a company are set and the means of attaining those objectives and monitoring performance are determined.”

*Organisation for Economic Co-operation and
Development (OECD)*



CORPORATE GOVERNANCE UNDERLYING CONCEPTS

Fairness

Transparency

Independence

Integrity and Honesty

Responsibility

Accountability

Reputation

Judgement



WHY IS CORPORATE GOVERNANCE IMPORTANT?

1. To prevent corporate failures
2. To control how companies behave





WHY IS CORPORATE GOVERNANCE IMPORTANT?

PUBLIC TRUST

“To protect, repair and strengthen the public’s trust in publicly traded companies and by extension the industries and economies in which those companies participate.”





INTERNATIONAL STANDARDS OECD

- ❑ G20/OECD Principles of Corporate Governance (2015):
 - Effective corporate governance framework;
 - Shareholders and key ownership functions;
 - Role of institutional investors, stock markets and other intermediaries;
 - Role of stakeholders;
 - Disclosure and transparency; and
 - Responsibilities of the board.



EXISTING GOVERNANCE FRAMEWORK





THE COMPANIES ACT

- ❑ Board composition, qualifications and duties of members
- ❑ Directors' duty to act honestly and in good faith and in the best interest of the company
- ❑ Directors' duty to disclose the company's financial and other pertinent information to shareholders
- ❑ Directors' duty to appoint an auditor
- ❑ Role of the shareholder



SECURITIES INDUSTRY ACT, 2011

SECTION 106

Board

Composition

Qualifications for
board
membership

Board Committees

Establishment and
composition

Functioning,
responsibilities,
and qualifications
for membership

Code of Business Conduct and Ethics

Directors, officers
and employees

Persons or
companies in
special
relationship with
public issuer

Conflicts of Interest

Public issuer

Public issuer and
its directors and
officers



THE SECURITIES INDUSTRY AND CORPORATE GOVERNANCE

Structure

Transparency

Disclosure



CORPORATE GOVERNANCE CONSIDERATIONS WITH RESPECT TO THE BOARD

Board balance

Role of the non-executive
director

Role of committees



CORPORATE GOVERNANCE CONSIDERATIONS WITH RESPECT TO COMPANY MANAGEMENT

Protection of shareholder rights

Role of the internal audit function

Accountability and reporting



WHY IS CORPORATE GOVERNANCE IMPORTANT?

PUBLIC TRUST

To protect, repair and strengthen the public's trust in publicly traded companies and by extension the industries and economies in which those companies participate.



AUTHORISATIONS DEPARTMENT UPDATES

- Licensing Activities & Trends
- Initiatives



Presenter: Mrs. Omara Bingham
Manager, Authorisations Department



SIA/IFA LICENSING TREND

- ❑ Overall increases in **all** registration categories
- ❑ SIA - Increase in Firms Managing and Advising
- ❑ IFA - Increase in use of SMART FUND Models



UPDATE REGISTRATION & LICENCING - ICONS



- ❑ **44** ICONs have been established and registered with the Registrar General's Dept
- ❑ **42** ICONs have been licensed as investment funds



SIA/IFA - ADMINISTRATIVE REMINDERS

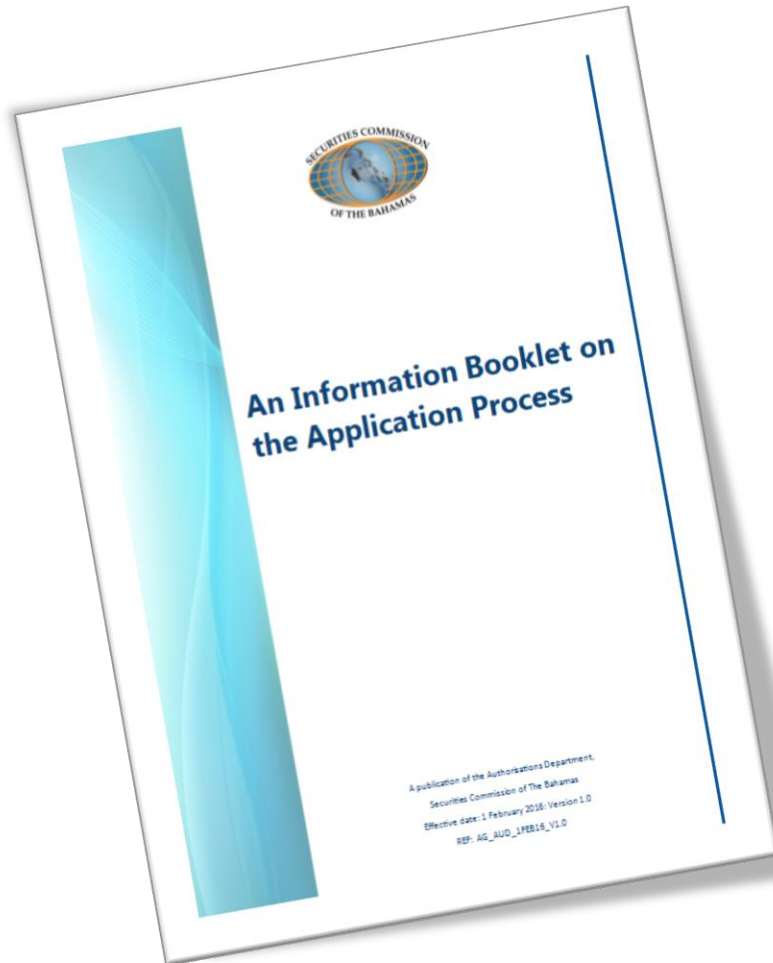
- ❑ SIA – Requirement for Individuals to be licensed prior to conducting Securities Business
- ❑ IFA – Requirement for UIFAs to submit full and complete filing



APPLICATION PROCESS INFORMATION BOOKLET

Key Highlights:-

- Application process
- Application processing time
- Completing the application forms
- Fees
- FAQs





UIFA - INFORMATION BOOKLET

Key Highlights:-

- UIFAs - General Powers & Duties
- Blank Licence, Reconciliation and Management Process
- Filing requirements
- Ongoing obligations
- Fees
- Penalties



MARKET SURVEILLANCE DEPARTMENT UPDATES

- Time-sensitive ongoing obligations
- Basic statistics on extensions
- E-Filing process
- New internal policies and the AML/CFT Rules



Presenter: Ms. Sandra Duncombe
Manager, Market Surveillance Department



ONGOING OBLIGATIONS

ANNUAL RENEWAL FILINGS

Annual Renewal Filings:

- 31st January of each year

- Fees (IFA/SIA)
- Annual Information Update Form (IFA/SIA)
- Evidence of Professional Indemnity Insurance Renewals (SIA/IFA)
- Annual declarations (IFA)

Penalties take effect:

- By 3rd working day in February



ONGOING OBLIGATIONS: CONT'D.

REQUESTS REQUIRING APPROVAL

1 st Extension Request	<ul style="list-style-type: none">• 7 days prior to filing period• Proposed date for submission• Reason for the extension• Relevant administrative fee
2 nd Extension Request	<ul style="list-style-type: none">• 14 days prior to filing period• Proposed date for submission• Letter from auditor with reason• Relevant administrative fee
Waivers (Exemptions)	<ul style="list-style-type: none">• Reason for the waiver/exemption• Director's Resolution
Share Transfers/Purchase:	<ul style="list-style-type: none">• Notification via Form 6 & Form 4• 30 days before the proposed date• Subject to prior review and approval by SCB• Relevant administrative fee



STATISTICS ON EXTENSION REQUESTS

EXTENSION REQUESTS APPROVED			
	2013	2014	2015
Administrator	5	9	1
Investment Fund	21	39	52
SIA	11	21	33



INVESTMENT FUNDS: SEMI-ANNUAL E-FILING

E-FILING PROCESS	
1) Reporting Period	<ul style="list-style-type: none">• 1st January - 30th June• 1st July - 31st December
2) E-Filing Period (twice p/y)	<ul style="list-style-type: none">• 6 weeks
3) Purpose	<ul style="list-style-type: none">• To observe the current status of the industry• To collect statistical data on the activities of investment funds and measure growth of industry• To produce reports outlining any trends observed
4) Inputting Data	<ul style="list-style-type: none">• Administrator/Operator Information• Fund activity• Fund details



E-FILING CONT'D: FUND ACTIVITY

Inputting NAVs:

Actual Number	Correct Report Number
\$12,000.00	\$0.0120 Million
€12,000,000.00	Converted \$13,165,834.65906 Mill. USD Equivalent => 13.1658 Million
\$15,862,340,000.00	\$15,862.3400 Million



NEW INTERNAL POLICIES

New Policy	Regulatory Action for Non-Compliance
1) Failure to file evidence of Professional Indemnity Insurance	<ul style="list-style-type: none">• Regulation 43 of the SIR 2012• Regulation 14 (3) of the IFR 2003• Penalty of \$200.00/day up to 60 days• Enforcement action, may lead to revocation of registration/license
2) Regulatory Capital Deficiency (not applicable to joint licensees)	<ul style="list-style-type: none">• Regulation 42 of the SIR 2012• Section 13 (d) of the SIA 2011• Form 13/ Financial & Operational Reports• Deficient Regulatory Capital<ul style="list-style-type: none">• Deficiency letter;• Capital Management Plan or• Injection of capital



NEW INTERNAL POLICIES CONT'D.

New Policy	Regulatory Action for Non-Compliance
3) Failure to file AFS on time	<ul style="list-style-type: none">• Instances of weekends or holidays, file the working day immediately after the weekend/holiday• Penalty applied the next calendar day, immediately after which the AFS was due• Administrative fee of \$500.00• Penalty fee of \$200/day for not filing• Late filing fee of \$500.00
4) Ladder of Penalty	<ul style="list-style-type: none">• First Infraction• Second Infraction• Third Infraction



AML/CFT RULE

New Rule	Implications of Rule
<p>Securities Industry (Anti-Money Laundering and Countering the Financing of Terrorism) Rules, 2015</p>	<ul style="list-style-type: none">i) Appoint an MLRO:<ul style="list-style-type: none">a. Register with FIU;b. Notify SCB of MLRO;c. Must be a senior Person in the entity;ii) Risk rate client relationship and productiii) Verification of customer identityiv) Record Keepingv) Education and training



INSPECTIONS DEPARTMENT

- Avoiding Common Breaches
- SIA (AML/CFT Rules) 2015



Presenter: Ms. Lesley Pearson
Manager, Inspections Department



COMMON BREACHES

1. **MLRO's approved by the Commission and registered with the FIU** (Financial Intelligence Transaction Reporting Regulations 2001 (Reg 5 (a) – Internal Reporting Procedures)
2. **AML training not received by employees of the registrant** (Financial Intelligence Transaction Reporting Regulations 2001 (Reg 6 (2) – Training Procedures)
3. **Notice of change in Information after Registration-Primarily the resignations of registered individuals** (Securities Industry Regulations 2012 (Reg 53 (2) – Notice of Change in Information After Registration)
4. **Review at the Board level the adequacy of the firm's indemnity insurance** (Securities Industry Regulations 2012 (Reg 43 (1) (2) – Insurance)
5. **Outsourcing arrangements** (Securities Industry Regulations 2012 (Reg 44 Outsourcing)



MLRO'S APPROVED BY THE COMMISSION & REGISTERED WITH FIU

- ❑ **Internal Reporting Procedures - FITRR, 2001-Regulation 5(a)**
 - Ways to ensure compliance
 - Upon hiring a Money Laundering Reporting Officer (MLRO), inform the Securities Commission
 - Ensure the individual is approved by the Commission and registered with the Financial Intelligence Unit (FIU)



AML TRAINING NOT HELD WITH EMPLOYEES

- ❑ **Training Procedures - FITRR, 2001 – Regulation 6 (2)**
 - Ways to ensure compliance
 - Consider completion of training early in the year
 - Maintain a training log to ensure all employees attend
 - Ensure employees have access to the Compliance Manual



NOTICE IN CHANGE OF INFORMATION

- ❑ **Notice of Change In Information After Registration
SIR, 2012 Reg. 53(2)**
 - Most registrants forget to update the Commission 'After Registration'
 - Ways to ensure compliance
 - Keep a Checklist of Regulation 53 (2)
 - If there is a material change within the Company, alert the Commission.



INDEMNITY INSURANCE - BOARD OF DIRECTORS REVIEW

- ❑ **Insurance - Securities Industry Regulations, 2012- Regulation 43**
 - Ways to ensure compliance
 - Annually, discuss the Indemnity Insurance maintained by the firm
 - Discuss the risks faced by the company
 - Ensure the insurance coverage is sufficient
 - Document the discussion in board minutes



OUTSOURCING ARRANGEMENTS

- ❑ **Outsourcing - Securities Industry Regulations, 2012 Regulation 44**
 - Ways to ensure compliance
 - Alert the Commission of any arrangements with a Service Provider
 - Allow the Commission to approve the arrangement or let you know that approval is not required
 - Ensure the arrangement is made on an arm's length basis

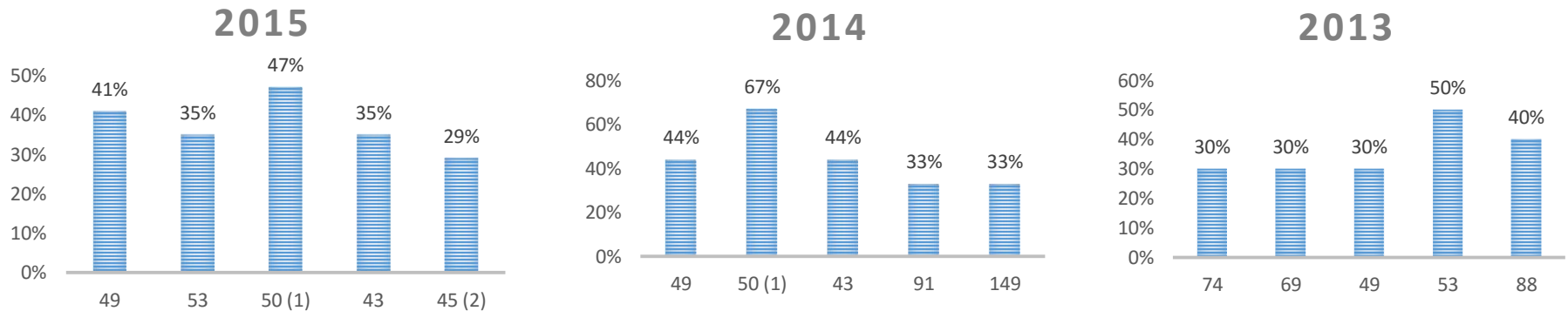


SECURITIES INDUSTRY (AML & CFT) RULES, 2015

- ❑ Effective December 2015
- ❑ Area of Concern for Registrants are RISK RATING.
- ❑ Risk rating conducted by registrants should include the areas note below as applicable:
 - Complexity of Ownership
 - Complexity of Legal Structure
 - Source of Business
 - Type of Assets
 - Country of Domicile
- ❖ The risk areas noted above are not exhaustive. The complete listing is included within the Rules.

COMMON BREACHES

Top Breaches of Provisions of Securities Legislation by Percentage of Firms Examined in Calendar Year



- 50 (1) – Reporting to the Commission – Interim Reporting
- 43 – Insurance Review at the Board level
- 49 – Reporting to the Commission – Annual Reporting
- 53 – Change in Information after Registration
- 45 – Renewal Process – Filing & Paying Required Fees by the deadline
- 91 – Reporting to the Commission on Compliance
- 149 – Capital Requirements
- 74 – Supervision, Compliance & Risk Management
- 69 – Registration of Persons Carrying on Securities Business
- 88 – Segregation of Client Cash & Assets



ENFORCEMENT UPDATES

- New Penalty Process
- Settlement Process
- Statistics



Presenters: Mr. Gawaine Ward
Manager, Enforcement Department



NEW PENALTY PROCESS



Regulation 6 Late Fees

- (2) A person that is late in paying an annual renewal fee must pay an additional fee equal to that annual renewal fee for each month or part of a month during which the fee and any additional fee imposed under this subsection remains unpaid, up to the date prescribed by the Commission.
- (3) If a person has failed to pay the required annual renewal fee and any additional fee imposed under subsection (2) on or before the date prescribed by the Commission for the relevant year, the Commission may revoke the registration of that person.



INVESTMENT FUNDS ACT, 2003

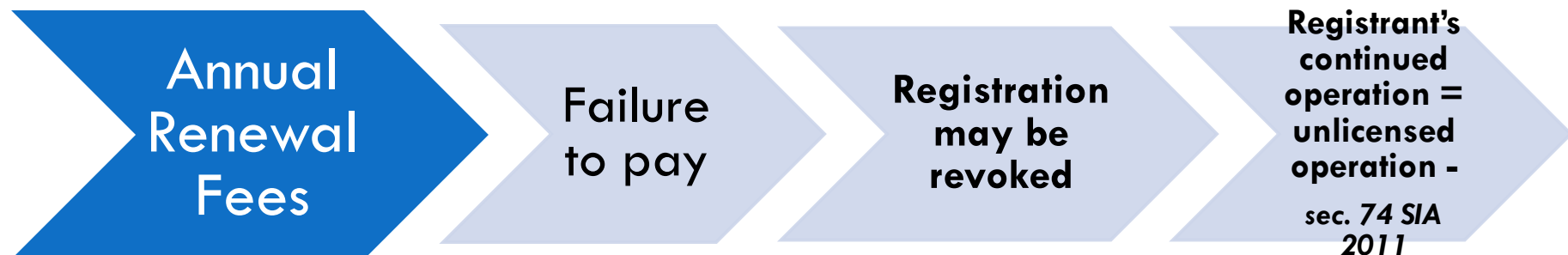
Sections 27(3) & 36(6).

Late Fees

- Where the investment fund [administrator] has failed to pay the required fee [...] and any additional fee imposed... on or before the 1st day of April, of the relevant year, the Commission may revoke the licence or registration of the investment fund [administrator].



ANNUAL RENEWAL PENALTY





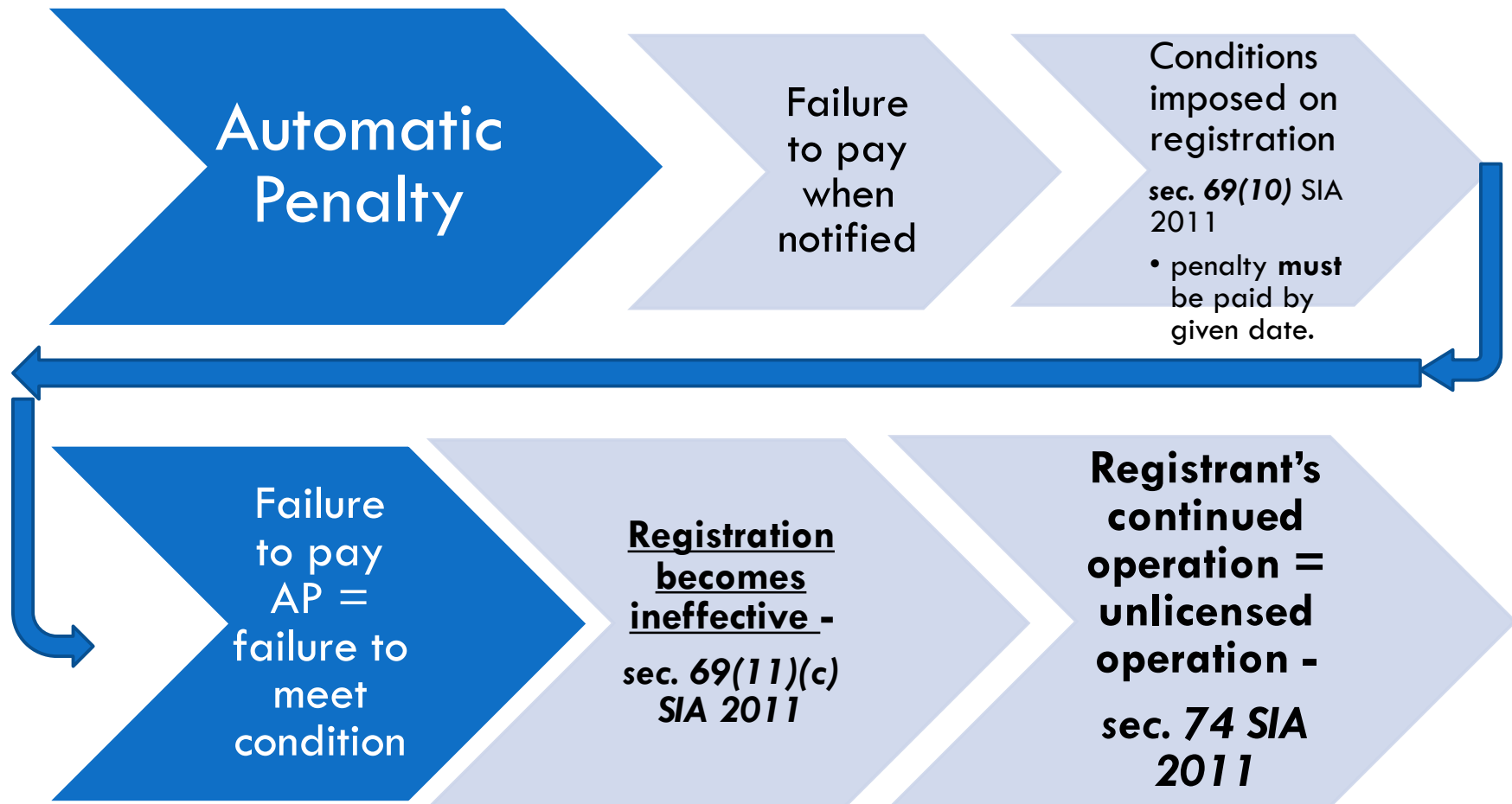
SECURITIES INDUSTRY ACT, 2011

Section 135 Administrative penalty

- (2) Any person in breach of any provision of a securities law solely by reason of failing to file with or deliver to the Commission a document within the required time period shall be subject to an automatic penalty of up to \$1,000, or as prescribed, for every day from the day the document was required to be filed or delivered to the day the document was filed or delivered.



AUTOMATIC PENALTY PROCESS





SECURITIES INDUSTRY ACT 2011

Section 155. Appeals.

- (1) Any person directly affected by a decision of the Executive Director or any employee exercising delegated authority from the Commission may, by notice in writing sent by registered mail to the Commission within thirty days after the mailing of the notice of the decision, request and be entitled to a hearing and review of that decision by the Commission.



SETTLEMENT





IMPOSE ORDERS – SIA, 2011

Section 133. Orders in the public interest.

- (1) If the Commission considers it in the public interest to do so, the Commission may, upon a settlement with the person or after a hearing –
- [*Make orders (a) – (s)...*]



IMPOSE PENALTIES - SIA 2011

Section 135. Administrative penalty.

- (1) If the Commission considers it in the public interest to do so, the Commission may, upon a settlement or after a hearing, order a person that has breached any provision of securities laws to pay the Commission an administrative penalty of not more than \$300,000 for each contravention.



SETTLEMENT PROCESS GENERALLY

Any party may open talks to settle a matter

Settlement of a securities breach may be agreed at any time

Talks are without prejudice – may not be used in a hearing, if talks fail

Always open discussions (timeline may be placed on period for discussions)

Settlement Agreement – incl. orders & penalties – formalised via document.
* *Is published*
* *Cannot be appealed.*

STATISTICS



CONSOLIDATED PENALTY REPORT FOR 2013 - 2015

Category of Penalty	Occurrences per Legislation					
	SIA, 2011			IFA, 2003		
Year	2013	2014	2015	2013	2014	2015
ANNUAL FEES						
Failure to Pay Annual Fees			4			25
FINANCIAL REPORTING						
Failure to File Audited Financial Statements	3		8	4		19
Failure to File 2014 Annual Report			1			
Failure to File Interim Statements	4					
Failure to File Accompanying Notes to Interim Statements			1			
Failure to File Quarterly Statements			8			
LICENSING REQUIREMENTS						
Failure to Obtain a Licence						1
Failure to File Prescribed Documents (UIFA)					18	7
DISCLOSURE AND OTHER REQUIREMENTS						
Failure to Produce Requested Information \$500/day	1					
Failure to Meet Material Change and Disclosure Requirements			1			
Cumulative Total:	8		23	4	18	52

Grand Total – 105





CONSOLIDATED PENALTY REPORT FOR 2013 - 2015

Category of Penalty		Penalty Amounts per Legislation						Totals
		SIA, 2011			IFA, 2003			
	Year	2013	2014	2015	2013	2014	2015	
ANNUAL FEES								
	Failure to Pay Annual Fees			\$10,558.14			\$4,662.35	\$15,220.49
FINANCIAL REPORTING								
	Failure to File Audited Financial Statements	\$12,600.00		\$15,600.00	\$38,200.00		\$18,500.00	\$84,900.00
	Failure to File 2014 Annual Report			\$400.00				\$400.00
	Failure to File Interim Statements	\$16,900.00						\$16,900.00
	Failure to File Accompanying Notes to Interim Statements			\$1,100.00				\$1,100.00
	Failure to File Quarterly Statements			\$3,500.00				\$3,500.00
LICENSING REQUIREMENTS								
	Failure to Obtain a Licence						\$250,000.00	\$250,000.00
	Failure to File Prescribed Documents (UIFA)					\$34,200.00	\$18,200.00	\$52,400.00
DISCLOSURE AND OTHER REQUIREMENTS								
	Failure to Produce Requested Information \$500/day	\$28,000.00						\$28,000.00
	Failure to Meet Material Change and Disclosure Requirements						\$20,100.00	\$20,100.00
	Cumulative Totals:	\$57,500.00		\$31,158.14	\$38,200.00	\$34,200.00	\$311,462.35	\$472,520.49

BREAK





Crowdfunding: HYPE OR HOPE?

A REGULATORY PROSPECTIVE



Presenter: Christian D. Adderley
Deputy Manager, Office Of The Executive Director



OVERVIEW

- ❑ What is Crowdfunding?
- ❑ Types of Crowdfunding
- ❑ Crowdfunding Trend
- ❑ Advantages of Crowdfunding
- ❑ Crowdfunding Concerns
- ❑ Proposed Rules Considerations
- ❑ Sum It Up



WHAT IS CROWDFUNDING?

- ❑ The funding of a project or venture by raising monetary contributions from a large number of people (usually over the internet)
 - Three participants:
 - Project Initiator
 - Supporters
 - Moderating Organization





TYPES OF CROWDFUNDING

❑ Rewards

- Pre-selling products
- No sacrifice of equity
- Keep it All or All or Nothing

❑ Social

- Litigation Based - Plaintiffs or Defendants obtain funding, via donations received from supporters, to assist in legal proceedings
- Donation Based - Collective effort of individuals to help charitable or civic causes.



TYPES OF CROWDFUNDING

□ Financial Crowdfunding

■ Equity

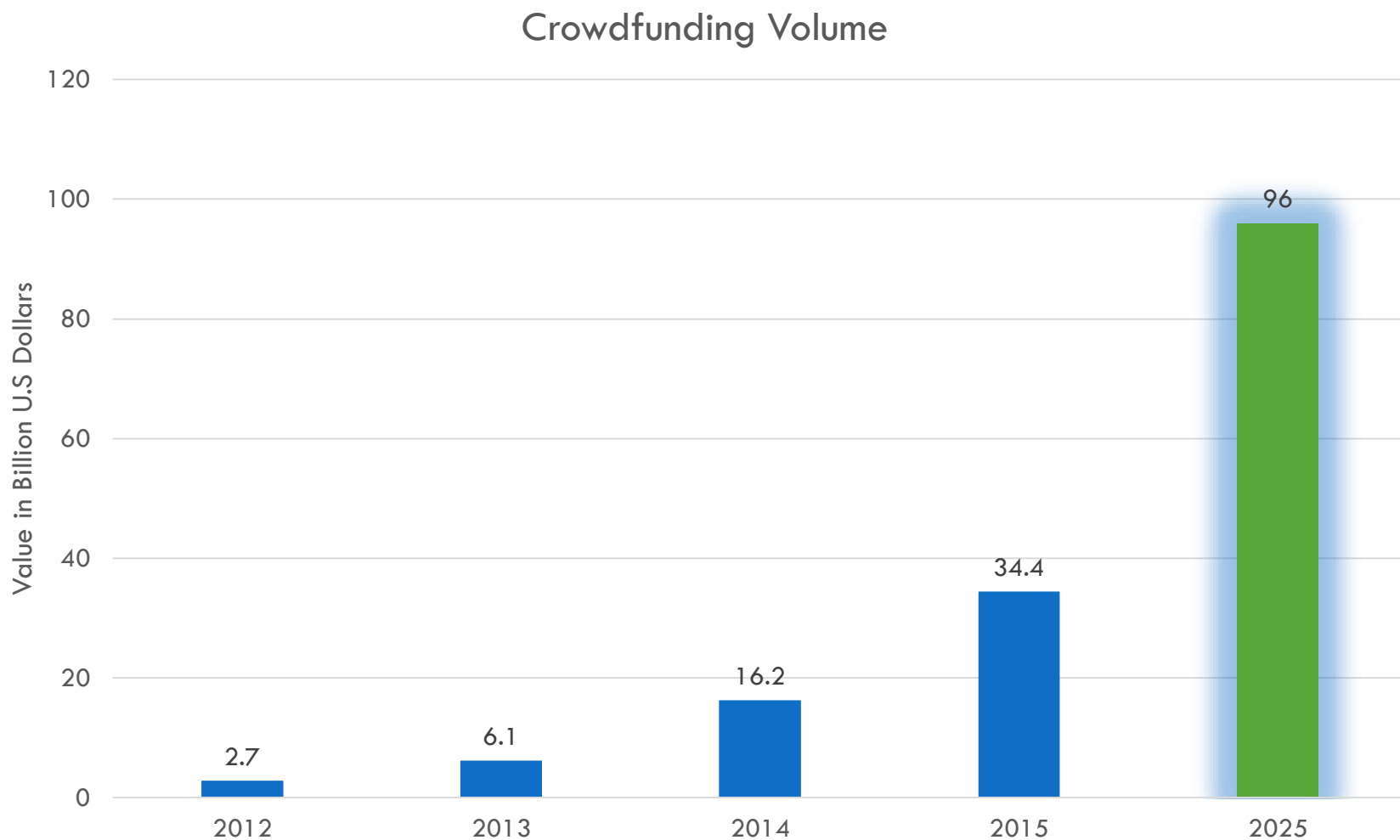
- Supporter received share in company
- Promised or offered a financial return by Project Initiator

■ Peer to Peer Crowdfunding

- Participants apply online to borrow money from the supporter
- The MO receives a percentage of the loan and a loan servicing fee



STATISTICS FOR CROWD FUNDING





ADVANTAGES OF CROWDFUNDING

- ❑ Less expensive than receiving a loan from a bank
 - Start-ups, Small and Medium sized businesses viewed as “risky”
- ❑ Less expensive than conducting an Initial Public Offering
 - Broker Fees/Underwriter Fees not attractive for Start-ups
 - Onerous regulatory burden by Securities Commissions, Exchanges
- ❑ Technology
 - Cheaper alternative to traditional marketing
 - Access to millions of investors



CROWDFUNDING CONCERNS

☐ Lack of Disclosure

- What information can be disclosed?
- Retail Investor will be abused
- No recourse...buyer beware!

☐ Information Asymmetry

- ‘Cherry pick’ the information disclosed to the public
- Lack of integrity in the market

☐ Lack of expertise

- Leads to an increased risk of business failure



Proposed Regulatory Considerations: Equity Crowdfunding



RULES CONSIDERATIONS

- ❑ Ensure appropriate framework for all three (3) Market Participants
 - Project Initiator
 - Moderating Participant
 - Project Supporter
- ❑ Crowdfunding is all inclusive
 - Don't take the “crowd” out of Crowdfunding



GENERAL CONSIDERATIONS

- ❑ The Project Initiator
 - Experience vs. Entrepreneur
 - Bahamian Company only?
- ❑ Maximum amount raised via Crowdfunding
 - USA? UK?
- ❑ Prospectus vs. Offering Memorandum
- ❑ Unlimited amount of investors?
 - Can retail investors participate? To what extent?
 - Certification Document?



OTHER KEY CONSIDERATIONS

- ❑ Registration of Portals?
 - Broker Dealer? Hybrid?
- ❑ Information Technology Infrastructure
 - Appropriate and sufficient systems and controls in place
- ❑ Minimum capital requirements
- ❑ Suitability requirements
- ❑ Should Portals be allowed to “Curate”
 - Tailoring of specific projects/products to investors based on past participation
- ❑ Listing on BLSX



CONCLUSION

- ❑ Phenom continues to increase globally
 - Big Banks not lending money
 - Financial Institutions designed for small business not lending money
- ❑ In The Bahamas
 - Cost to borrow excessive
 - Capital markets illiquid
- ❑ Need to encourage and support small businesses

CROWD FUNDING QUESTIONS & ANSWERS





CYBER SECURITY: PANEL DISCUSSION



Property of the Securities Commission of The Bahamas

CYBER SECURITY QUESTIONS & ANSWERS



QUESTIONS & ANSWERS





CLOSING REMARKS



Presenter: Mrs. Monique Sands
Financial Controller, Securities Commission of The Bahamas



CONTACT INFORMATION

Securities Commission of The Bahamas

3rd Floor, Charlotte House
Shirley and Charlotte Streets
P.O. Box N-8347
Nassau, The Bahamas

Telephone	1-(242) 397-4100 (Nassau) 1-(242)-225-8171 (Family Island toll free) 1-(360)-450-0981 (International)
Fax	1-(242) 356-7530
Email	info@scb.gov.bs





THANK YOU

