



INDUSTRY BRIEFING

FINANCIAL & CORPORATE SERVICE PROVIDERS

Monday 29 April 2019
British Colonial Hilton
New Providence



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



OPENING REMARKS

Hon. K. Peter Turnquest

Deputy Prime Minister & Minister of Finance



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



LEGISLATIVE DEVELOPMENTS

Christina R. Rolle

Executive Director

Securities Commission of The Bahamas



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



PRESENTATION OUTLINE

- **FCSP Legislative Overhaul & Status**
- **Global Trends & Initiatives**
 - CFATF Priority Actions
 - OECD
- **Business Licence Reform**



FCSP LEGISLATIVE OVERHAUL

- Public Consultation, 20 July – 1 September 2017:
 - Financial and Corporate Service Providers Bill, 2017;
 - Financial and Corporate Service Providers (Money Lenders) Rules
 - Financial and Corporate Service Providers (Fees) Rules
- Public Consultation, 7 March – 30 April 2018:
 - Financial and Corporate Service Providers (General) Regulations, 2018;
 - Financial and Corporate Service Providers (Application) Regulations, 2018; and
 - Financial and Corporate Service Providers (Fees) Rules, 2018



STATUS OF LEGISLATIVE OVERHAUL

➤ Financial & Corporate Service Providers Bill & (General) Regulations:

- Amended to reflect comments received;
- Amended to address IBCs conducting financial & corporate services in The Bahamas;
- Updated to facilitate additional services;
 - Financial leasing
 - Financial advisory or consultancy services
 - Financial intermediation services
 - Trading in commodities and other financial instruments
 - Digital custody services
 - Wallet services for digital assets
- To be reissued for public consultation



STATUS OF LEGISLATIVE OVERHAUL

➤ Suite of Rules:

- Financial and Corporate Service Providers (Fees) Rules, 2018 (update to reflect changes in primary legislation)
- Financial and Corporate Service Providers (Money Lenders) Rules (update to reflect changes in primary legislation)
- Financial and Corporate Service Providers (Corporate Service Providers) Rules (Re-write in progress)
- Financial and Corporate Service Providers (Consumer Credit) Rules (Pending technical review)
- Financial and Corporate Service Providers (Money Brokers) Rules (Pending technical review)
- Financial and Corporate Service Providers (Debt Collectors) Rules (Pending technical review)
- Financial and Corporate Service Providers (Bill Paying Services) Rules (draft pending)



GLOBAL TRENDS & INITIATIVES

FATF: ICRG ACTION PLAN & STATUS

Action Item	Action taken/pending by the SCB
1) Issue pending AML guidelines, manuals & codes for Non bank FI supervisors to enhance risk based supervision.	<ul style="list-style-type: none">• Securities Industry (AML/CFT)(Amendment) Rules, 2019 and FCSP (AML/CFT) Rules, 2019 issued.
2) Demonstrate commencement of Risk Based Supervision and enforcement	<ul style="list-style-type: none">• Developed new penalty regime.• FCSPs & High-Risk SIA/IFA licensees will be subject to AML/CFT focused examinations.• Notice of 2019 Risk Based Priorities provided to registrants/licensees and posted to Commission's website.



GLOBAL TRENDS & INITIATIVES

FATF: ICRG ACTION PLAN & STATUS

Action Item	Action taken/pending by the SCB
3) Demonstrate competent authorities identifying and tracing money laundering proceeds and freezing/restraining property in ongoing ML prosecutions.	<ul style="list-style-type: none">• SCB developing a monitoring mechanism to track ML/FT matters identified & provide statistical reports.
4) Bahamian authorities to address gaps in TF framework & circulate international sanctions lists without delay.	<ul style="list-style-type: none">• Issued International Obligation (Economic and Ancillary Measures) (Implementation of UNSCRs) Orders and notices and posted on Commission's website.



GLOBAL TRENDS & INITIATIVES (OECD)

- Peer Review Focus Areas
 - Identification of beneficial owners
 - Access to accounting records
- Central Register of Beneficial Owners
- Base Erosion & Profit Sharing (BEPS) Minimum Standards
 - Action 5 - Countering Harmful Tax Practices More Effectively, Taking Into Account Transparency and Substance
 - Action 6 - Preventing the Granting of Treaty Benefits In Inappropriate Circumstances
 - Action 13 - Transfer Pricing Documentation And Country-by-country Reporting
 - Action 14 - Making Dispute Resolution Mechanisms More Effective



THE BAHAMAS' RESPONSE

- Suite of legislation issued:
 - Multinational Entities Financial Reporting Act, 2018
 - Register of Beneficial Ownership Act, 2018
 - Removal of Preferential Exemptions Act, 2018
 - Commercial Entities (Substance Requirements) Act 2018, Amendment Act, 2019, and Guidelines

- Objective to improve compliance with BEPS and other international standards on tax governance and transparency



CHANGES TO BUSINESS LICENCE REGIME

- Financial institutions permitted to offer services to domestic & international clients (meeting prescribed regulatory requirements).
- New framework proposes regulated financial entities be exempted from paying a business license fee.
- Companies under the Companies Act (Ch. 308) and International Business Companies Act, (Ch. 309) required to register under the business license Act and pay a value-based business license fee.



LEGISLATIVE DEVELOPMENTS

- United Nations Security Council Resolutions (UNSCRs)
- Differences Between Current & New FCSP Legislative Regime



Presenter: Ms. Mechelle Martinborough
Senior Legal Counsel, Office of Legal Counsel



OVERVIEW

- UNSCR/IOEMA Obligations
- Financial and Corporate Services Providers Bill 2019
- Financial and Corporate Services Providers (General) Regulations 2019



UNSCR/IOEMA OBLIGATIONS

- What are UNSCRS?
 - High-Risk Countries/Individuals
 - Prohibition of business relationships

- Enhanced AML/CFT measures
 - Freezing/Seizure of property

- IOEMA - International Obligations (Economic and Ancillary Measures) Act
 - Governor General Issued Orders
 - 'Designated Entities'

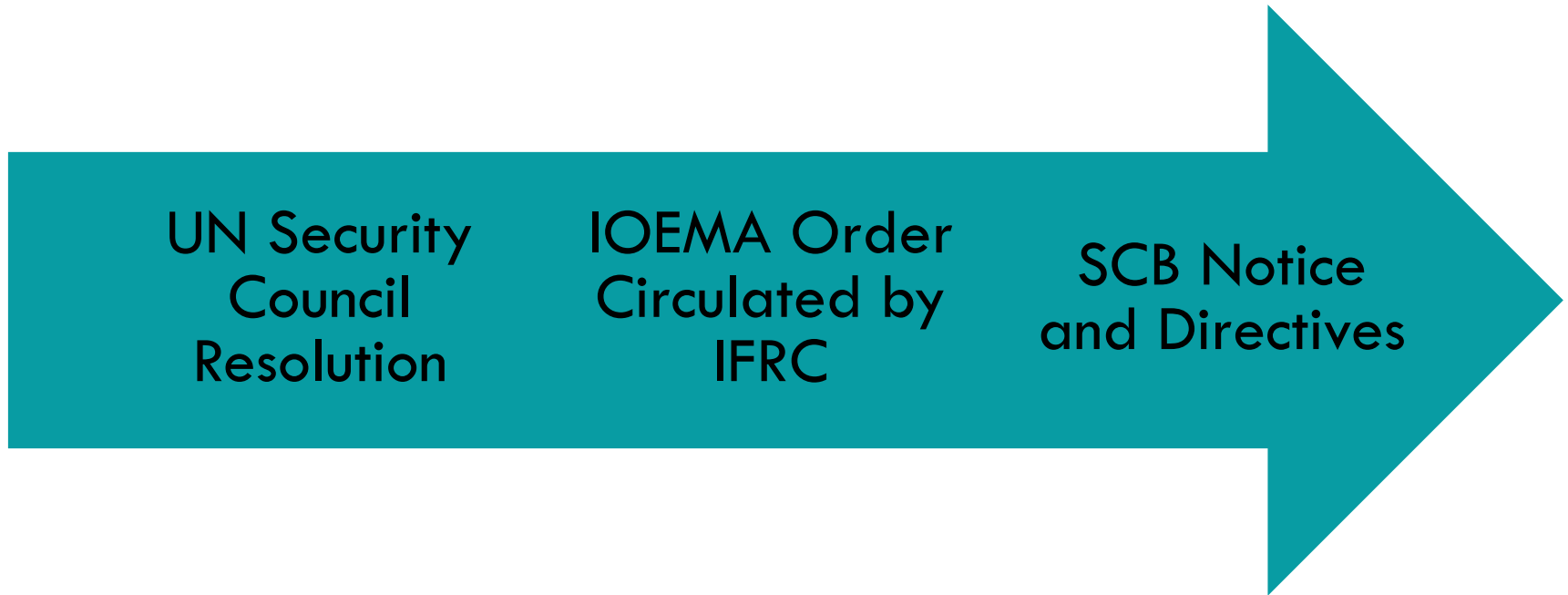


AML/CFT RISK OVERSIGHTING FRAMEWORK





UNSCR/IOEMA PROCESS





IDENTIFIED RISK FRAMEWORK COORDINATOR

- Office of The Attorney General – Mrs. Cassandra Nottage
- Duties include –
 - maintaining a current list of designated entities
 - ensuring domestication of UN Resolutions
 - circulating the lists



OBLIGATIONS OF LICENSEES

- Regulator Circulates Notice and Order
- Typically Actions Require -
 - Review of Databases and Transaction Records
 - Freeze/Seizure
 - Immediate Freeze
 - Advise Attorney General
 - Advise FIU
 - Advise Designated Entity
- Obligation to Report without Order
- Failure = \$250,000 Fine



CURRENT STATUS OF ORDERS

- Orders issued thus far:
 - IOEMA Order Iraq and Afghanistan
 - Included designated persons on Sanctions List
 - DPRNK Order
 - Also Included designated persons on Sanctions List

- Follow UP Notice to be Issued
 - Additional 2 weeks for Iraq and Afghanistan



EXPECTATIONS OF REGULATOR

- Information required to Commission
 - Findings
 - Database
 - Transaction Records
- In Additional to Reporting to AG and FIU
- Commission Follow Up Notice
 - Nil Reports
- Annual Declarations



PURPOSE FOR INFORMATION

- Basis for information is oversight of IOEMA System
 - Statistics
 - Inform of need for Regulatory Action
- Evidence of Implementation of System
 - Effectiveness Measures in CFTAF
- Process is National
- Forms to be Provided

NOTABLE CHANGES IN FINANCIAL AND CORPORATE SERVICE PROVIDERS REGIME





AIMS OF PROPOSED FCSPA LEGISLATIVE OVERHAUL

- Robust Regulatory Regime
- Enhance the regulatory authority of the Inspector
- Clear and distinct categories of activities
- Standards of conduct and obligations;
- Commensurate Capital, financial and reporting obligations
- Transitional provisions.



RESULT OF OVERHAULING FCSPA LEGISLATIVE REGIME

REPEAL THE EXISTING LEGISLATIVE REGIME

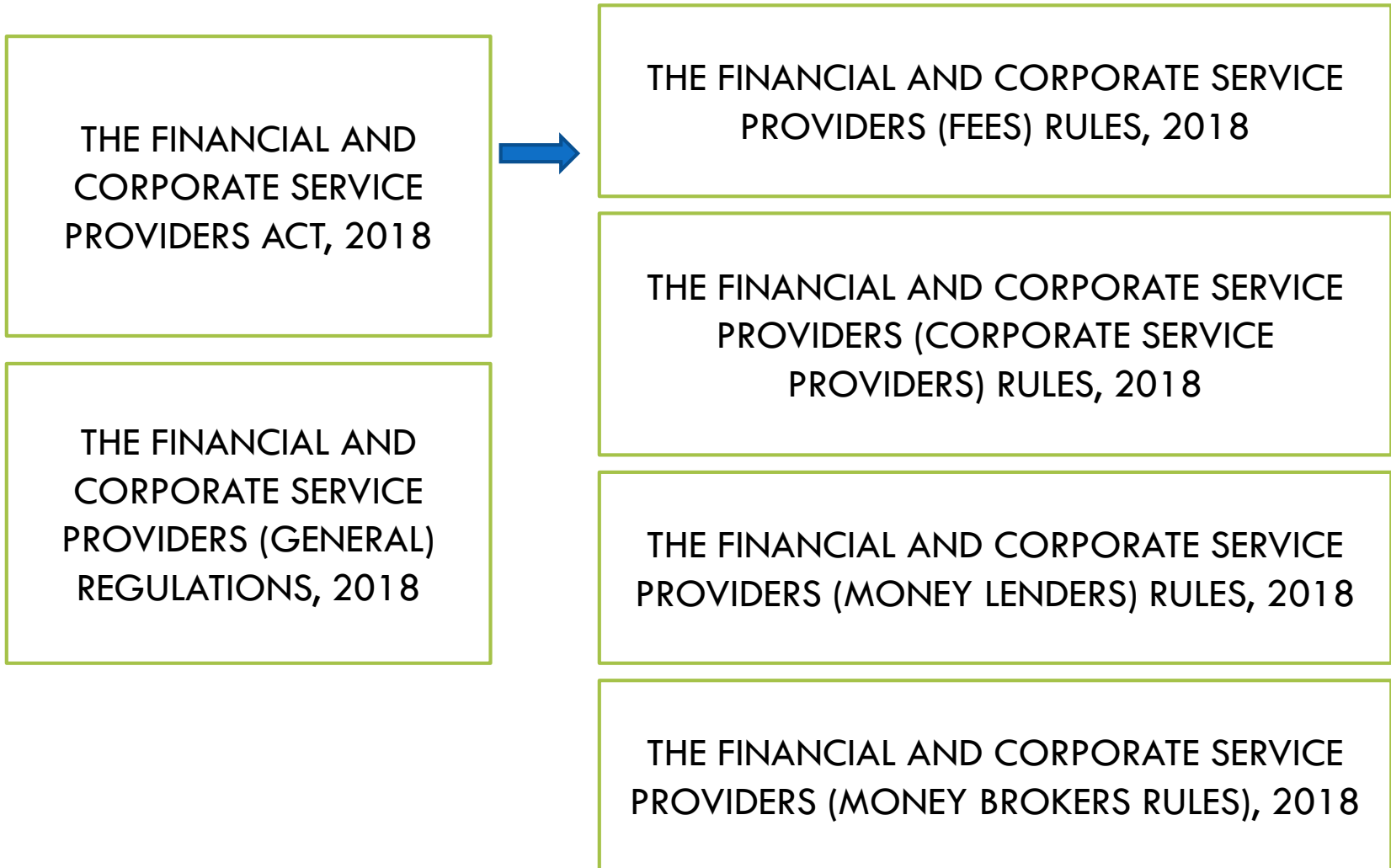
**The Financial
and Corporate
Service
Providers Act,
2000
(Amended
2008)**

**The Financial
and Corporate
Service
Providers
(General)
Regulations,
2001**

**The Financial and
Corporate Service
Providers
(Licence) Order,
2001 (Amended
2009)**



RESULT OF OVERHAULING FCSPA LEGISLATIVE REGIME





RESULT OF OVERHAULING FCSPA LEGISLATIVE REGIME

THE FINANCIAL AND
CORPORATE SERVICE
PROVIDERS ACT, 2018



THE FINANCIAL AND CORPORATE SERVICE
PROVIDERS (CONSUMER CREDIT) RULES,
2018

THE FINANCIAL AND CORPORATE SERVICE
PROVIDERS (BILL PAYING SERVICES) RULES,
2018



EXTERNAL IMPACTS

AML/CFT RULES

**GUIDELINES ON THE COUNTERING OF
THE FINANCING AND THE
PROLIFERATION OF WEAPONS OF MASS
DESTRUCTION**

**MANAGEMENT OF ACCOUNTING
RECORDS GUIDELINES, 2018**

CRIME RISK MANAGEMENT GUIDELINE

**SECURITIES INDUSTRY (COMPLIANCE
OFFICER) RULES, 2018**

THE FINANCIAL AND CORPORATE SERVICE PROVIDERS BILL, 2019





KEY CHANGES

EXPANDED DEFINITIONS (Part I)

Introduction of activity specific definitions

Delineation between financial services and
corporate services

Application section reinforces delineation between
financial services and corporate services



KEY CHANGES

EXPANDED LICENSING REGIME

(Part II)

Introduction of concept of categorization of activity on licenses

Enhanced licence application process

EXPANDED LICENSING REGIME

(Part II)

Confirmation that licenses are annually renewable

Application of automatic administrative penalty for failing to meet the requirements for annual licence renewal



KEY CHANGES

CONDUCT-FOCUSED REGULATION (Part III)

Express duties on licensees i.e. to maintain professional conduct, to comply and cooperate, etc.

Express requirements concerning the appointment of auditors, the prevention of money laundering

Express requirements to maintain solvency and have adequate financial resources



KEY CHANGES

EXPANDED ENFORCEMENT POWERS (Part IV)

Power to suspend
licence

Power to revoke licence

Power to wind-up
Licensee

Power to apply
administrative penalty

CRIMINAL PENALTIES (Part V)

Unlicensed activity
criminalized

Personal liability of
directors and
corporate liability



KEY CHANGES

ENHANCED ENFORCEMENT POWERS (Part VI)

Introduction of Inspector's Functions

Expanded Powers of the Inspector

Improved Inspection and enhanced
Investigation Powers

Introduction of Power of entry and Power
to require provision of information



KEY CHANGES

TRANSITIONAL (Part VII)

Recognition of consequential amendments to other complementary legislation

Continuation of licenses

THE FINANCIAL AND CORPORATE SERVICE PROVIDERS (GENERAL) REGULATIONS, 2018





FINANCIAL AND CORPORATE SERVICE PROVIDERS (GENERAL) REGULATIONS, 2018

LICENSES

(Part II)

Stipulates that applications are to be made on the form set out in the First Schedule

Stipulates that licenses will list the category of licensed activity



GENERAL DUTIES AND OBLIGATIONS (Part III)

Duty to:

Make and maintain records

Keep and maintain accounts

Report changes

Seek Commission's approval before
taking certain actions



FINANCIAL AND CORPORATE SERVICE PROVIDERS (GENERAL) REGULATIONS, 2018

GENERAL DUTIES AND OBLIGATIONS

(Part III)

Duty to:

Permit examination and produce documents

Implement data protection measures

Observe confidentiality obligations

Comply with due diligence requirements



FINANCIAL AND CORPORATE SERVICE PROVIDERS (GENERAL) REGULATIONS, 2018

GENERAL DUTIES AND OBLIGATIONS (Part III)

- Obligation to:
- Implement internal controls to ensure compliance
 - Deal fairly with clients
 - Avoid conflicts of interest
 - Conduct ongoing monitoring of relations with clients
 - Appoint appropriately skilled staff and Compliance Officers



LEGISLATIVE DEVELOPMENTS

- Transition Period Between Current & New FCSP Legislative Regime



Presenter: Mrs. Magan Taylor
Manager, Supervision



NEW FINANCIAL AND CORPORATE SERVICE PROVIDERS LEGISLATIVE REGIME

LICENSES

Confirms that licenses are annually renewable

Penalties for failure to renew as prescribed

Stipulates that applications are to be made on the form set out in the First Schedule

Stipulates that licenses will list the category of licensed activity



KEY CHANGES

TRANSITIONAL (Part VII)

Recognition of consequential
amendments to other
complementary legislation

Continuation of licenses



RE-CATEGORISATION PROCESS

1

- Anticipated that the **Re-categorisation/Re-mapping** process will occur during the “**90 Day Transition Period**” following the enactment of the legislation.

2

- The Re-mapping exercise will determine those activities for which:
 - a Licensee will be now “**only**” be **authorized to perform**;
 - a Licensee will be **billed** (from passing of Act onwards)

3

- The Inspector will notify licencees of their proposed remapped categories.
- Licencees will be asked to verify and confirm the proposed categories. Where applicable, Licencees may be required to submit additional documentation.
- Upon completion of the remapping exercise the Inspector will issue new Licence Certificates to transitioning Licencees.



SECOND & THIRD SCHEDULES

ACTIVITY

Registration, Management, Administration of an IBC

Provision of Registered agent/office services to an IBC

Provision of Directors, Officers, or Nominee Shareholders to an IBC

Provision of Partners, Registered agent/office services to ELP

Appointment as Executive Entity Agent

Appointment as Trustee of an Authorized Purpose Trust

Appointment as the Registered Representative of a Foundation

Appointment as Registered Representative of Securities Firm

Appointment as Governing Administrator of Investment Condominium

Appointment as Registered Representative of Private Trust Company

Appointment as Representative of Segregated Accounts Company

**IBC Formation
and
Management**

**Natural
Persons**

**Legal
Persons**

**Executive
Limited
Partnership
corporate
services**





FINANCIAL SERVICE PROVIDERS

ACTIVITY	PROPOSED RULES
MONEY LENDING	MONEY LENDERS RULES
MORTGAGE LENDING	
PAYDAY AND CASH ADVANCES	
CREDIT EXTENSION	FINANCE AND CONSUMER CREDIT RULES
DEBT COLLECTION	
MONEY BROKING	MONEY BROKING SERVICES RULES
MORTGAGE BROKING	
BILL PAYING SERVICES	BILL PAYING SERVICES RULES
FINANCIAL LEASING FINANCIAL ADVISORY OR CONSULTANCY SERVICES FINANCIAL INTERMEDIATION SERVICES TRADING IN COMMODITIES AND OTHER FINANCIAL INSTRUMENTS CUSTODY OF DIGITAL ASSETS WALLET PROVIDER SERVICES ESCROW SERVICES	



THE MONEY LENDERS RULES (FEATURES)

PRELIMINARY (Part I)

Applies to the money lender
and all money lending
contracts

Excludes non-interest loans,
insurance companies, credit
unions, pawnbrokers and
persons deemed non-resident
for exchange control

REGULATION OF MONEY LENDING OPERATIONS (Part II)

Imposes the duties of fair dealing and
responsible lending on money lenders

Stipulates the minimum terms to be
included in a money lenders contract

Stipulates that only simple interest can
apply to money lenders contracts

Protects borrowers' right to make
additional payments or early repayments



THE MONEY LENDERS RULES (FEATURES)

REGULATION OF MORTGAGE LENDING OPERATIONS

(Part IV)

Defines what constitutes
mortgage lending

Stipulates what can
happen with respect to
a defaulted mortgage

**Provides for a transition
period**

**Section 45 of Rules 90
days to make application
to the Commission**



THE DEBT COLLECTOR RULES (FEATURES)

REGULATION OF DEBT COLLECTION SERVICES

(Part I/II)

Stipulates what
activity is subject to
regulation

Defines who may
be a debt collector

Stipulates the role
of a debt collector

Stipulates what
must happen in
debt collection
activities

**Provides for a
transition period
Section 14 of Rules**

—

**90 days to make
application to the
Commission**



THE MONEY BROKERS RULES (FEATURES)

PRELIMINARY

(Part I)

Defines who is a money broker

Applies to all money brokers and money broking contracts

Exempts persons where money broking is ancillary to a mortgage business, banks and trust companies and real estate brokers



THE MONEY BROKERS RULES (FEATURES)

REGULATION OF MONEY BROKERS (Part VI)

Stipulates who may be a
money broker

Stipulates what constitutes
prohibited acts and
practices

GENERAL PROVISIONS (Part VII)

Criminalizes non-compliance

Provides for a transition period
Section 43 – 60 days to apply
to become licensed



TIPS

1.

- **Be Informed**
- Read the Act and related documents issued by the Inspector.

2.

- **Be aware**
- Check that the proposed activities fall within the definition of regulated activities that are outlined under the FCSPA.

3.

- **Ensure information is correct**
- Check that the remapping and categorization information is correct and any application form and has clearly indicated the category for approval, licensing or registration.



ONGOING OBLIGATIONS

- Beneficial Ownership (Verification of Identity)
- Management of Accounting Records
- Self-Risk Assessments



Presenter: Mr. Wilfred Bain
Assistant Manager, Supervision



ONGOING OBLIGATIONS: CUSTOMER DUE DILIGENCE

- FINANCIAL TRANSACTIONS REPORTING ACT,
2018 (SECTIONS 12-14)



ON-GOING DUE DILIGENCE

- Financial institutions shall exercise risk based on-going due diligence throughout the course of each business relationship, including:
 - Ensuring that documents, data, information and records collected under the customer due diligence process are kept updated and relevant; and
 - undertaking regular reviews of existing records, particularly for higher risk facility holders.



ON-GOING DUE DILIGENCE

- Scrutinizing transactions to ensure that the transactions are consistent with the financial institutions knowledge of the customer, facility holder's risk profile, and, where necessary, the source of funds;
- Ensuring the obligations with regard to high risk facility holders, politically exposed persons, and correspondent relationships are fulfilled at all times



ON-GOING DUE DILIGENCE

- Enhanced Customer Due Diligence
- Risk Assessments of Politically Exposed Persons



ONGOING OBLIGATIONS: MANAGEMENT OF ACCOUNTING RECORDS

- Financial and Corporate Service Providers Act, 2000
- Companies (Amendment) Act, 2013
- International Business Companies (Amendment) Act, 2011
- Segregated Accounts Companies (Amendment) Act, 2011
- Exempted Limited Partnership (Amendment) Act, 2011
- International Business Companies (Accounting Records) Order, 2016



MAINTENANCE OF ACCOUNTING RECORDS

Financial & Corporate Service Providers must observe the obligation to maintain accounting records:

- With respect to their own business operations; and
- With respect to any International Business Company (IBC) or Exempted Limited Partnership (ELP) where the FCSP provides corporate or administrative services.



SPECIFIC DUTIES REGARDING THE MAINTENANCE OF ACCOUNTING RECORDS

- Maintain accounting records on their own behalf
- Ensure accessibility to accounting records for IBCs and ELPs where they act as registered agent and registered office
- Maintain accounting records for IBCs, where they provide directors, or ELPs, where they provide the general partner



SPECIFIC DUTIES REGARDING THE MAINTENANCE OF ACCOUNTING RECORDS

- Have on their files, a copy of the statutory declaration where they act as registered office for an IBC; and
- File the statutory declaration with the Registrar General where they act as registered agent for an IBC.



OTHER CONSIDERATIONS

- Companies whose business turnover does not exceed fifty thousand dollars (\$50,000) per annum are not required to maintain accounts and records
- Accounting records shall be kept for a minimum period of five (5) years from the date of the transaction to which to such records relate



NATURE AND STANDARD OF ACCOUNTING RECORDS

Licensees, IBC's and ELPs shall ensure that –

- Accounting records are maintained in relation to all sums of money received and expended and indicate the reason for the receipt and expenditure, inclusive of all sales, purchases and other transactions
- Accounting records establish the authorisation of transactions relating to expenditure



NATURE AND STANDARD OF ACCOUNTING RECORDS

- Accounting records are reliable, in that the records:
 - i. Explain all transactions by providing a record of the transaction along with an adequate summary of its details;
 - ii. Enable the financial position of the licensee, the IBC or the ELP to be determined with reasonable accuracy;
 - iii. Enable the preparation of financial statements, should they be desired or required, at any time; and
 - iv. Include documentation underlying the transaction, such as, invoices, receipts, contracts, conveyances or any other documentation which supports the transaction.



NATURE AND STANDARD OF ACCOUNTING RECORDS

- There is a written statement included with the accounting records that the records are prepared to the directors' or officers' best, knowledge, information and belief;
- The accounting records show the assets and liabilities of the licensee, IBC or ELP; and
- In the case of a Segregated Accounts Company, the accounting records must be maintained in relation to each segregated account as well as the general account of the company.



ONGOING OBLIGATIONS: RISK ASSESSMENT

- FINANCIAL TRANSACTIONS REPORTING ACT, 2018
SECTION 5



CONDUCT OF RISK ASSESSMENT

Every Financial Institution shall –

- Take appropriate measures to identify, assess and understand its identified risks in relation to:
 - Its facility holders and the countries or jurisdictions of their origin;
 - The countries or jurisdictions of its operations; and
 - Its products, services, transactions and delivery channels.

- Develop and implement a comprehensive risk management system approved by the financial institution's senior management and commensurate with the scope of its activities, incorporation continuous identification, **measurement, monitoring and controlling of identified risks.**



CONDUCT OF RISK ASSESSMENT

- Take appropriate measures to manage and mitigate the risks aforesaid;
- Take account of any risk assessment carried out at a national level and any regulatory guidance issued by its Supervisory Authority; and
- Upon request, provide the Supervisory Authority with a copy of its risk assessment.



WHEN SHOULD THE ASSESSMENT TAKE PLACE?

- Prior to the launch of a new product or business practice;
- Prior to the use of new or developing technologies;
- When there is a major event or development in the management and operation of the group



WHAT SHOULD THE ASSESSMENT TAKE INTO ACCOUNT

- The facility holder's:
 - geographic area;
 - product;
 - service;
 - Transaction; and
 - means of delivery risk factors, which shall be proportionate to the nature and size of the financial institution's business.

- The outcome of any risk assessment carried out at a national level, and any regulatory guidance issued.



INSPECTION MATTERS

- Examination Results & Trends for 2019
- Remediation Period & Penalties



Presenter: Ms. Jonique Webb
Assistant Manager, Risk Analytics & Examinations



EXAMINATION RESULTS

- Examination Priorities for 2019
- Statistics on FCSP AML/CFT Thematic Examinations
- Common Deficiencies



2019 EXAMINATION PRIORITIES

- AML/CFT Thematic Reviews of Financial and Corporate Service Providers;
- Risk Management Including Self Risk-Assessment and Client Risk-Rating Framework;
- Business Conduct and Risk Profile; and
- Cybersecurity



AML/CFT THEMATIC REVIEWS OF FCSPs

- The Commission has set out to conduct focused reviews of all FCSPs for compliance with:
 - applicable anti-money laundering requirements;
 - sufficiency of KYC documentation; and
 - the effective management of IBCs including the maintenance of accounting records.



AML/CFT THEMATIC EXAMINATIONS: CURRENT STATUS

- To date, Examiners have conducted a review of 33 FCSPs:
 - Consists of 21 Corporations, 8 Individuals and 4 Partnerships
 - Accounts for 9% of the total population of FCSPs
 - Accounts for over 50% of total IBCs



COMMON DEFICIENCIES

- Registrants failed to implement a self-risk assessment framework. (Section 5, FTRA, 2018)
- Registrants failed to have declarations on file. As a result, they also failed to provide evidence of accounting records. (Section 2(1)(2), International Business Companies (Accounting Records) Order, 2016)
- Registrants failed to show evidence of relevant employees attending AML training. (Regulation 6(2), FITRR, 2001)
- Registrants failed to provide sufficient due diligence documentation for the verification of corporate entities. (Regulation 5(1), FTRR, 2018)
- Registrants failed to show evidence of ongoing monitoring of client files. (Regulation 12(3), FTRR, 2018)



RISK MANAGEMENT

- Risk Analytics & Examinations will assess the effective implementation of the self-risk assessment framework for FCSP licensees which is now required by the Financial Transactions Reporting Act, 2018.



FREQUENTLY ASKED QUESTIONS

- Is there a template for the self-risk assessment?
- What type of information should the registrant submit in the assessment?
- How do I complete the assessment?



FAILURE TO HAVE DECLARATIONS/ACCOUNTING RECORDS

- Section 2(1) of the IBC (Accounting Records) Order, 2016 requires:
 - A company shall keep at its registered office a declaration stating that –
 - (a) the company is maintaining reliable accounting records; and
 - (b) the accounting records shall be made available to its registered agent.



ACCOUNTING RECORDS

- All sums of money received and expended and indicate the reason for the receipt and expenditure, inclusive of all sales, purchases and other transactions
- Show the assets and liabilities of the licensee, IBC or ELP



FAILURE TO SHOW EVIDENCE OF AML TRAINING

➤ Examiners are looking for:

- Training material
 - Presenter
 - Location, Date, Time
- Training log
- Certificates



FAILURE TO PROVIDE SUFFICIENT DUE DILIGENCE

- Potential activity of facility
- Description and nature of business including commencement date, products and/or service provided
- Potential activity of facility size, balance ranges and volume of transactions
- Documentary evidence to satisfy the requirements for the identification and verification of the identity of the beneficial owners of the corporate entity



FAILURE TO SHOW EVIDENCE OF ONGOING MONITORING OF CLIENTS

- Examiners are looking for:
 - Policies and procedures
 - Evidence of risk rating – e.g. Risk rating form
 - Evidence of review in accordance with risk rating – e.g.. sign-off of review



REMEDIATION PERIOD

- 90 days to rectify noted deficiencies
- “Please ensure that all deficient areas identified are remediated by **16 July 2019** at the latest. Failure to remediate deficiencies by the deadline may result in administrative penalties.”



Finding 2	Legislation	<p><u>Financial Transactions Reporting Act, 2018 – Section 12 – On-going due diligence</u></p> <p><i>Every financial institution shall exercise risk based on-going due diligence throughout the course of each business relationship, which shall include -</i></p> <p><i>(a) ensuring that documents, data, information and records collected under the customer due diligence process are kept updated and relevant, and undertaking regular reviews of existing records particularly for higher risk facility holders;</i></p> <p><i>(b) scrutinizing transactions to ensure that the transactions are consistent with the financial intuitions knowledge of the customer, the facility holder's risk profile, and, where necessary, the source of funds;</i></p> <p><i>(c) ensuring the obligations with regard to high risk facility holders, politically exposed persons, and correspondent relationships are fulfilled at all times.</i></p>
	Breach	There was no evidence on file to conclude that █████ clients are risk rated.
	Required Action	█████ must ensure that they risk rate it clients as legislatively required.
	Registrant's Response	



THANK YOU



QUESTIONS & ANSWERS





CONTACT INFORMATION

The Inspector of Financial and Corporate Services

(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