

Securities Commission of The Bahamas

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# MEDIA RELEASE

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FOR IMMEDIATE RELEASE

## Rules Greenlight Crowdfunding for Small-/Medium-Sized Businesses

*Nassau, The Bahamas, Wednesday 7 July 2021* – The Securities Commission of The Bahamas (the Commission) announced today that the Securities Industry (Business Capital) Rules, 2021 (the Business Capital Rules/the Rules) have been brought into effect, establishing a regulatory framework for equity-based crowdfunding in The Bahamas.

The Rules allow eligible small- or medium-sized businesses to raise up to \$5 million BSD within a single 12-month period, through no more than two securities distributions to the public. They simultaneously reduce the regulatory burden otherwise associated with public offerings of securities. For example, the offering document required to be filed is easier to compile and less costly to produce than the offering document required for a traditional initial public offering.

Eligible businesses also benefit from reduced filing costs with the Commission. Further, the requirements with regard to the submission of reviewed or audited financial statements have been rationalized to account for the amount of business capital successfully raised.

“Small and medium-sized enterprises have long lamented the cost of raising business capital in The Bahamas, which has limited their capacity to grow, and in some cases, to compete and survive. Simultaneously, investors continue to seek greater diversity of investment products to choose from, to grow their personal wealth in alignment with their investment principles and personal philosophies. They also want confidence that they are protected from unfair practices, market misconduct and other securities and investment fraud” Christina Rolle, Executive Director of the Securities Commission of The Bahamas said.

“These Rules address both sides of this coin, easing access to capital for many entrepreneurs on one side, and providing an appropriate protection regime for retail investors, in keeping with key regulatory standards and best practices, on the other. We are pleased they are finally a formal element of the capital markets regulatory regime, particularly as we seek to recover from the economic impact of the COVID-19 pandemic and the devastation brought by Hurricane Dorian in 2019.”

Under the Rules, retail investors (investors classified as “non-accredited investors”) are able to invest up to \$10,000 BSD per crowdfund distribution, or up to \$50,000 BSD over a single 12-month period. The Rules provide that securities purchased under a crowdfund offering may be sold or traded without

restriction in the secondary market where that security is sold or traded, through an intermediary registered with the Commission as a restricted marketplace.

To be eligible to offer securities under the Business Capital Rules, an entity must be organized under the Companies Act, operating in The Bahamas, and categorized as a small- or medium-sized enterprise. For the purposes of the Rules, small-sized businesses have annual gross incomes of up to \$1.5 million BSD while medium-sized businesses have annual gross incomes between \$1.5 and \$3 million BSD.

The Business Capital Rules are available on the Commission's website at:

[\(https://www.scb.gov.bs/legislative-framework/rules/\)](https://www.scb.gov.bs/legislative-framework/rules/)

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#### **Editor's Information:**

1. **The Securities Commission of The Bahamas (the Commission) is a statutory body established in 1995 pursuant to the Securities Board Act, 1995. That Act has since been repealed and replaced by new legislation.**
2. **The Commission's mandate is defined in the Securities Industry Act, 2011 (SIA, 2011).**
3. **The Commission is responsible for the administration of the SIA, 2011 and the Investment Funds Act, 2019 (IFA), which provides for the supervision and regulation of the activities of the investment funds, securities and capital markets.**
4. **The Commission is responsible for administering the Financial and Corporate Service Providers Act, 2020.**
5. **The Commission is responsible for the administration of the Digital Assets and Registered Exchanges Act, 2020.**
6. **The functions of the Commission are to:**
  - **advise the Minister on all matters relating to the capital markets and its participants;**
  - **maintain surveillance over the capital markets and ensure orderly, fair and equitable dealings in securities;**
  - **foster timely, accurate, fair and efficient disclosure of information to the investing public and the capital markets;**
  - **protect the integrity of the capital markets against any abuses arising from financial crime, market misconduct and other unfair and improper practices;**
  - **promote an understanding by the public of the capital markets and its participants and the benefits, risks, and liabilities associated with investing;**
  - **create and promote conditions that facilitate the orderly development of the capital markets; and**
  - **perform any other function conferred or imposed on it by securities laws or Parliament (SIA, 2011, s.12).**