



# 2022



## ANNUAL REPORT

[www.scb.gov.bs](http://www.scb.gov.bs)



## **Our Mission .**

To protect investors and consumers and promote sound regulatory practices in the financial services industry that facilitate sustainable growth and contribute to economic development.

## **.Our Vision**

A leading regulator that demonstrates excellence and expertise in the financial services industry, promoting confidence in the financial markets and fostering economic opportunities for the ultimate benefit of the public.

## On the Cover

Mangrove forests form part of the lifeblood and vibrancy of The Bahamas' coastline and global ecosystems. These forests of nature's secrets and resilience "provide around \$2.7 trillion in ecosystem benefits around the world," according to the Bahamas National Trust (BNT). They prevent coastal erosion, strengthen soils, help maintain water clarity and quality, and help reduce ocean acidification and coral bleaching. The BNT further observes, "the protection [mangroves] provide during extreme weather events such as hurricanes and tsunamis is unmatched by any man-made barrier or structure-to-date."

According to Conservation International: "Mangrove forests cover just 0.1 percent of the planet's surface but store up to 10 times more carbon per hectare than terrestrial forests. This carbon-storing superpower makes mangroves a critical part of the solution to climate change."

Through the administration of the Carbon Credit Trading Act, 2022, which facilitates secondary market trading of carbon credits, the Securities Commission plays a role in addressing climate change in The Bahamas and internationally.

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Poinciana House  
North Building, 2nd Floor  
31A East Bay Street  
PO Box N-8347  
Nassau, The Bahamas

30 June 2023

The Hon. Philip Davis, K.C.  
Prime Minister and Minister of Finance  
Ministry of Finance  
Cecil Wallace-Whitfield Centre  
West Bay Street  
Nassau, N.P., The Bahamas

Dear Prime Minister:

In accordance with Section 31(1) of the Securities Industry Act, 2011, I have the honour of submitting to you, on behalf of the Members of the Securities Commission of The Bahamas (the Commission), the Annual Report for the Commission for the year ended 31 December 2022. Included in this Report is the Annual Statement of Accounts of the Commission for the year.

Yours sincerely,

Hon. Justice K. Neville Adderley (Ret.)  
Chairman



# CHAIRMAN'S Message



**HON K NEVILLE ADDERLEY**

Chairman



**This report brings focus to the breadth and depth of activities which the SCB is undertaking or exploring to further strengthen the institution and its oversight.**

The eve of The Bahamas' 50th Anniversary of Independence is fit for reflection on the past, and more importantly, the future role of the Securities Commission of The Bahamas (the Commission).

The 30th of June 2023 marks one year since my appointment as Chairman of the Board. In this capacity, I wish to acknowledge the work of the previous Chairman, Mr Robert Lotmore, and his fellow members of the Board, and of the Executive Director, Ms Christina Rolle, and staff for their initiatives. Some of the initiatives were in progress and we had the honor of completing them during the year.

Since 1995, the Commission has been mandated to regulate the capital markets in The Bahamas. Over the years, these responsibilities have been expanded, both as a natural extension of the Commission's functions and to optimize financial regulatory resources in support of a more competitive financial services industry. These include adding regulatory responsibility for:

1. non-bank financial service providers under the Financial and Corporate Service Providers Act;
2. digital assets and digital asset businesses under the Digital Assets and Registered Exchanges (DARE) Act; and
3. carbon credit secondary market trading under the Carbon Credits Trading Act.



In November 2022, the Commission faced an unprecedented challenge with the collapse of FTX Digital Markets Ltd, at that time one of the world's largest cryptocurrency exchanges. The event proved the Commission's foresight to put in place a regulatory framework for digital assets and to have carved out robust enforcement powers as well as the legal powers to freeze and seize assets to protect customers, and its expertise, as it reacted swiftly and decisively in exercising those powers.

That event, along with the preceding "crypto winter" brought into sharp focus the need for global standards and cooperation with respect to crypto regulation. The Commission is committed to using its full investigative and regulatory powers to address these types of events and to continue to develop and improve the regulatory framework to meet the challenges of the evolving digital assets space.

The Board recognizes that the Commission must engage in continuous improvement in order to properly cope with its increasing portfolio. As such, during the calendar year ending 31 December 2022, we ratified a four-year strategic plan for the Commission, continued to revise the pertinent laws and rules governing the space, and continued to build capacity in the Commission, through local and international training and exposure opportunities. Among the Commission's management and staff are some of the most qualified and well trained professionals in The Bahamas. I am also proud to observe that I serve as Chair for an illustrious cross section of professionals at the apex of their various fields, who serve as the Commission's board. I congratulate the Government for these non-partisan appointments of independent members and thank it for its continued support for the Commission. We are very well placed to provide the intellect, experience, and progressive attitudes needed to guide and develop the financial services industry in The Bahamas.

The Commission is well represented and actively participates in a number of domestic, regional as well as international committees and bodies. Our Executive Director serves, in a personal capacity, as the vice-chair of IOSCO's Inter-American Regional Committee (IARC, comprising securities regulators from North America, Central America, South America and the Caribbean) and by virtue of this role, is a member of IOSCO's Board and has recently been appointed to serve on its Finance and Audit Committee. The Commission is also an active member of various IOSCO committees and task forces, giving the staff direct opportunities to engage in and contribute to IOSCO work streams.

This report brings focus to the breadth and depth of activities which the Commission is undertaking or exploring to further strengthen the institution and its oversight. These include regulatory review and updating using the latest technology including SupTech and other applications, along with technical consultants, to enhance market supervision and integrity. These steps are being undertaken with ongoing consultation with, and input from, our stakeholders and are in line with best-practices and global standards.

All of the above augers well for the present and future capability of the Commission to ensure investors that they can feel safe and secure registering their business and investments in the capital markets under the umbrella of the legislative framework of The Bahamas. The Commission remains committed to that goal.



## Structure and Membership of the Commission

The Securities Commission of The Bahamas (the Commission) is a statutory body, established in 1995, pursuant to the Securities Board Act, 1995. The Act was repealed and replaced by the Securities Industry Act, 1999, and subsequent to that the Securities Industry Act, 2011 (SIA, 2011).

The Commission's membership comprises a Chairman, Deputy Chairman, the Executive Director of the Commission (ex officio), and up to five members appointed by the Minister of Finance. The Minister appoints board members based on their experience or demonstrated capacity in matters relating to industry and the disciplines of commerce, law, finance, or administration.

The SIA, 2011 provides for the Chairman to hold office for a period of five years, and the Deputy Chairman and other members to hold office for a period not to exceed four years. The Act also allows for all members, including the Chairman, to be eligible for reappointment. The Commission's Executive Director may hold office for a period of five years and is eligible for a one-term reappointment on the recommendation of the Commission.

Table 1: Board of the Commission as at 30 June 2022

Name	Position	Appointment
Robert V Lotmore	Chairman	1 July 2017
Michael Paton	Deputy Chairman	1 July 2017
Christina R Rolle	Ex officio Member	26 January 2015
Dawn Patton	Member	1 July 2017
Bede Sands	Member	1 July 2017
Deno Moss	Member	1 July 2017
Tonique Lewis	Member	1 July 2017
Peter T Carey	Member	1 July 2020
Hon Justice K Neville Adderley (Ret)	Member	1 March 2022

Table 2: Board of the Commission as at 31 December 2022

Name	Position	Appointment
Hon Justice K Neville Adderley (Ret)	Chairman	1 July 2022
Peter T Carey	Deputy Chairman	1 July 2022
Christina R Rolle	Ex officio Member	26 January 2015
Luther McDonald	Member	1 July 2022
Phaedra Mackey	Member	1 July 2022
Jerome Gomez	Member	1 July 2022
Michael Paton	Member	1 July 2022
Bede Sands	Member	1 July 2022

# Board of Directors

As at 31 December 2022



Centre: Hon K Neville Adderley, Chairman; From left: Jerome Gomez, Peter T Carey, Deputy Chairman; Bede Sands; Phaedra Mackey; Christina Rolle, Executive Director; Luther McDonald, KC. Not pictured: Michael Paton

## Role of the Board

The Board is responsible for governance of the organization. The duties of the Board include overseeing the strategic focus, policymaking with regard to the Commission, and establishing rules and guidelines applicable to all areas of industry for which the Commission has regulatory responsibility: investment funds, securities and the capital markets, financial and corporate services, digital assets and trading in carbon credits. The Board has the authority to establish committees to assist in the execution of its duties.

During 2022, the Board held **11** regular meetings and **4** extraordinary meetings. There were **3** Audit Committee meetings, and **1** Human Resource Committee meeting.

No exceptional matters occurred in relation to the Board from a governance or structural perspective during the 2022 period.

## Committees of the Board

### Audit Committee

The Audit Committee (AC) advises and makes recommendations on matters relating to corporate governance, including internal financial controls, internal and external audits, and compliance with financial reporting requirements. It also assists the Commission in reviewing remuneration and other related policies for employees of the Commission. The AC met three times during 2022. Mechelle Martinborough attended in her capacity as Board Secretary, Monique Sands, the Commission's Head of Finance, attended as a management representative, and Lesley Pearson attended in her capacity as head of Internal Audit.



Table 3: Audit Committee Members as at 30 June 2022

Name	Position
Dawn Patton	Chair
Peter T Carey	Member
Bede Sands	Member

Table 4: Audit Committee Members as at 31 December 2022

Name	Position
Phaedra Mackey	Chair
Peter T Carey	Member
Bede Sands	Member

## Human Resource Committee

The Human Resource Committee (HRC) assists the Commission in establishing and reviewing remuneration, benefits and policies for employees of the Commission including salary scales, pensions, bonuses, leave entitlement and any other benefit or incentives. The HRC also hears and considers formal complaints and grievances raised by staff. Its functions also include the periodic review of staff turnover and other human resource reports. The HRC met once during 2022. Mechelle Martinborough attended in her capacity as Board Secretary, and Bernadette Gibson, Human Resources Senior Manager, attended as a management representative.

Table 5: Human Resources Committee Members as at 30 June 2022

Name	Position
Michael Paton	Chair
Bede Sands	Member
Deno Moss	Member

Table 6: Human Resources Members as at 31 December 2022

Name	Position
Michael Paton	Chair
Luther McDonald	Member
Jerome Gomez	Member

# Strategic Plan

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# STRATEGIC PLAN 2021-2024

The Commission's Mission and Vision fundamentally guide the work of the Commission and how it operates. During the 2021–2024 strategic plan period, the Commission reviewed and revised its Values, Mission and Vision Statements, given the changes in the global environment and our expanded regulatory role. The Commission sought to ensure that our overall strategy continues to align effectively with our guiding principles and that the Values, Mission, and Vision Statements remain relevant, and articulately reflect our purpose and objectives.

The Commission considered the needs of internal and external stakeholders in the development of the strategic plan. Following is an overview of the objectives and priorities of the 2021-2024 strategic plan.

## Established Values

To constantly sustain excellence, the Commission is guided by our core values. By prioritizing these five values, we have clarified our focus for the future. At its core, the Commission values:

- **INTEGRITY.** We adhere to high ethical standards of conduct in the work that we do. We expect honest and ethical behavior from our employees and market participants.
- **FAIRNESS.** We act with objectivity in carrying out our supervision function and in our interaction with market participants, investors and consumers, and we require the same level of fairness from market participants in their dealings with the public.
- **EXCELLENCE.** We are committed to sound regulatory practices that are aligned with global standards; we adhere to the highest standard of professional excellence in the execution of our regulatory mandate and in our interaction with the public.
- **ACCOUNTABILITY.** We give an account for the decisions that we make.
- **ENGAGEMENT.** We value our relationships and work with our internal and external stakeholders to achieve common goals and to strengthen confidence in the markets and in the jurisdiction.





## Strategic Objectives and Priorities

The Commission identified four strategic objectives:

- 1 Enhance Operational Capabilities and Performance
- 2 Improve the Regulatory Framework and Tools
- 3 Support Data-driven Decisions and Accountability
- 4 Safeguard Knowledge Assets

### STRATEGIC OBJECTIVE 1: Enhance Operational Capabilities and Performance.

The Commission will effectively modernize its operational systems, processes and procedures, enhance operational capabilities and performance. The three priorities for this objective are:

- 1 Optimize Performance and Enhance Controls
- 2 Increase Operational Resilience Capabilities
- 3 Improve Organizational Capacity

### STRATEGIC OBJECTIVE 2: Improve Regulatory Framework and Tools.

The Commission remains committed to sustaining a robust regulatory framework, and employs a range of complementary tools to achieve its objectives. Given the consistent pace of the change in the financial services industry, the Commission will ensure that its regulatory capacity also continues to evolve. The three priorities for this objective are:

- 1 Enhance the Regulatory Framework
- 2 Improve Tools of Engagement with Market Participants and Stakeholders
- 3 Focus on Investor and Consumer interests.

### STRATEGIC OBJECTIVE 3: Support Data-driven Decisions and Accountability.

The Commission will invest in the technology required to facilitate our data management system and then invest in the technology, tools, and training necessary to monitor, analyse, and report data in a way that brings benefit to the Commission's operations, to registrants and licensees, and the industry, to increase our data collection and analysis capacity. The three priorities for this objective are:



- 1 Enhance the Level and Quality of Data Collection
- 2 Invest in Data Monitoring and Analysis Tools
- 3 Develop and Issue Statistical Reports

#### **STRATEGIC OBJECTIVE 4: Safeguard Knowledge Assets.**

Safeguarding institutional knowledge requires the Commission to identify its relevant tangible and intangible resources, and design the means to use them effectively. The Commission will employ a strategic approach, supported by a number of initiatives, to contribute to the preservation of its organizational knowledge. The three priorities of this objective are:

- 1 Develop a Talent Management Strategy
- 2 Develop a Library of Case Studies and Templates
- 3 Document and Archive the History of the Commission, its Initiatives and Programs.

## **Technology Strategy**

### **Vision**

Leveraging technology to improve operations, regulatory processes, and knowledge asset management for the benefit of our internal and external stakeholders.

#### **STRATEGIC OBJECTIVE: Advance Information Technology Infrastructure and Systems**

The Commission will advance our information technology infrastructure and systems to support our digital transformation efforts and to increase overall operational efficiency and capabilities. Specifically, we will commence work to improve our Information security framework and invest in systems and software to improve operations and overall performance.

Our technology strategy is underpinned by three principles:

- 1 Agile and User-Centric Technology
- 2 Secure and Reliable Data
- 3 Integrated Information Technology Systems

The business drivers for our technology strategy are directly linked to our strategic objectives and priorities for the 2021-2024 period.

# EXECUTIVE DIRECTOR'S Remarks



**CHRISTINA R ROLLE**  
Executive Director

I see effective regulation as a function of two things: the legal and regulatory toolkit at the regulator's disposal; and, the competence and willingness to apply those tools, with precision, to effect desired results. It is against that backdrop that I reflect on what has been an unprecedented year for The Bahamas and the Securities Commission of The Bahamas. The jurisdiction achieved a 40/40 compliance rating on the FATF 40 Recommendations and saw the introduction of the Carbon Credits Trading Act. It also experienced the collapse of FTX, which brought international attention to The Bahamas' digital assets regulatory framework. Overall, the year served to reinforce the importance of the Commission's role as regulator, and the importance of its mission to protect investors and consumers, and promote strong regulatory practices in the financial services industry.

## Digital Transformation

The Commission continued its advance of the legal and regulatory framework in 2022 and has an aggressive schedule of development and reviews of legislation, guidance and policies planned for the coming years. However, the Commission turned its focus inward in 2022, and, after much preparation, set out on its digital transformation journey with the launch of Project Butterfly in May 2022<sup>1</sup>.

Project Butterfly is an overarching project to modernise the Commission's information management. It will impact every aspect of the Commission's operations. The ultimate goal of the project is more effective regulation through increased operational capacity, greater efficiency, and improved ease of business for constituents and others interacting with the Commission.

Phase One of Project Butterfly lays the requisite digital foundation for the transformation initiative. In this phase, the Commission commenced a thorough analysis, digitization and integration of the Commission's key processes. The Commission also advanced the development of a redesigned Compliance and Regulatory Interface (CoRI) filings portal. The new portal will be integrated with internal software applications, processes and workflows and allow constituents greater functionality, including live tracking of the status of their submissions. Phase One was progressed significantly during 2022, and we look forward to finalising this phase during 2023.

A related initiative of note is the Commission's review of its billing, collections and accounts receivable processes. The review supports the ultimate integration of the billing and collection process into the Commission's supervisory intelligence, in addition to improving the

<sup>1</sup> From: <https://www.scb.gov.bs/project-butterfly/>



timeliness of fees receipts. The Commission also completed its analysis of the efficiency and effectiveness of human resources processes and policies. The initiative served the strategic objective of safeguarding the Commission's knowledge assets and is a precursor to the development of a comprehensive talent management strategy. The review is also an element of the necessary groundwork to support the Commission's comprehensive digital transformation initiative.

Importantly, the Board approved the establishment of an internal audit function within the Commission in 2022. This is an important step in the Commission's evolution and will improve all aspects of the Commission's operations while bringing attention to internal risks and deficiencies. The Commission's accountability and transparency standards, as well as expectations within the organization, can only be enhanced through this very important governance control. The unit is equipped with the appropriate authorities to carry out its functions independently, including direct reporting lines to the Board.

## **Digital Assets and Registered Exchanges Act (DARE)**

The Commission advanced the regulatory framework for digital assets (DAs) and digital asset businesses (DABs) significantly during 2022. The anti-money laundering/ countering terrorism and proliferation financing (AML/ CFT/CPF) framework for digital assets and digital asset businesses was codified under bespoke Rules specific to registrants and licensees under the DARE Act in March. Previously, AML/CFT/CPF requirements for financial institutions and services providers registered under the DARE Act were established through the overarching national AML/CFT/CPF legislative suite.

In May, the Digital Assets and Registered Exchanges (Amendment) Act, 2022, was passed. The amendments to the legislation expanded the Commission's regulatory, enforcement and cooperative powers with respect to digital assets and addressed deficiencies noted in the jurisdiction's assessment by CFATF. The changes made to the DARE regulatory framework were critical and contributed to The Bahamas achieving a "Compliant" or "Largely Compliant" technical rating on all 40 of the FATF Recommendations<sup>2</sup>.

It is worth noting that in April of 2022, the Commission commenced its initiative to review and update the DARE legislation, based on its growing experience in the space and its observations from the fallout of the then deepening "crypto winter". Some of these observations included emerging risk areas, such as those connected

with algorithmic stable coins, mining, and staking as a business. This review and assessment contributed greatly to the amendments to the DARE legislative framework, which is expected to be advanced in 2023, and speaks to the Commission's intention to ensure that the DARE framework remains innovative but also reflective of the evolving and emerging risk trends in the crypto industry.

In November 2022, FTX Digital Markets, one of the largest crypto-broker-dealers in the world, suffered a liquidity crisis that triggered the Commission to use its regulatory powers to freeze and secure client assets – and set off a series of events, which has rocked the crypto-world – as FTX floundered globally and ultimately collapsed. The event, which had iterations and implications for FTX operations across the globe, tested the consumer and investor protection provisions embedded in the DARE Act, 2020, and the Commission's commitment and ability to use the enforcement tools at its disposal. It confirmed that the DARE regulatory framework and the Commission's regulatory experience worked under the most difficult conditions to identify and swiftly act to safeguard assets in The Bahamas licensed entity – FTX Digital Markets Ltd, which was headquartered in New Providence.

The Commission is limited in what it may speak to about the details of the FTX case while the matter remains under investigation and before the courts; however, we seize the opportunity to learn from the event and deepen our understanding of operational and other risk factors in the evolving digital asset industry. The Commission is leveraging this learning (both knowledge and insights) to improve digital asset regulation in The Bahamas, and ultimately to benefit and shape digital asset regulation globally. We look forward to being able to share the lessons we have learned from the FTX matter when our investigations are complete and the surrounding legal environment permits.

The Commission remains committed to being a leader of sound financial regulation in the digital assets space as well as traditional finance. We have steadily enhanced our presence and participation in international regulatory fora and work streams. In 2022, the Commission joined the newly formed Fintech Task Force, comprising IOSCO Board Members, and was invited to become a member of that Task Force's Steering Committee. We expect to contribute to the Task Force's work as IOSCO seeks to develop recommendations for its members with respect to the regulation of crypto assets and decentralised finance. The Commission was engaged in other elements of IOSCO's technical work through various groups and committees. Among these, the Commission is a member of

the Committee on the Regulation of Market Intermediaries (C3), the Committee on Enforcement and Exchange of Information (C4), the Assessment Committee, the MMoU Monitoring Group and Steering Committee, and the MMoU Screening Group where we recently served as penholder for the review of certain jurisdictions' applications to become a signatory to the IOSCO MMoU and EMMoU. This development is a testimony to the Commission's maturity and regard in the international regulatory community.

### **Carbon Credits Trading Act**

The Commission developed the Carbon Credits Trading Bill, which was enacted by the Parliament of The Bahamas on 11 August 2022. This ground-breaking legislation is complementary to The Bahamas' Climate Change and Carbon Markets Initiatives Act, 2022, and together they lay the legal and regulatory foundations to allow The Bahamas to benefit from the growing market for carbon offset credits. The Carbon Credits Trading Act, 2022 creates a progressive regulatory framework for The Bahamas to leverage the natural environment through secondary market trading of carbon credits. Regulated trading of carbon credits has much potential to unlock access to the critical funding necessary to address or mitigate harmful climate-change trends.

### **Securities Industry Act**

The Securities Industry Act, 2011 is now over a decade old and has been prioritised for a complete overhaul. The overhaul of the SIA to ensure its provisions are current, competitive, and reflective of international best practices and standards commenced in 2022. The Commission intends for the new legislation to bring commodities, securities, derivatives and other complex financial products under scope, and should also enhance the regulatory tools available to the Commission including the Commission's ability to access information and its enforcement authority. The Commission was aiming to have the first draft of the overhauled legislation completed by the end of 2022, however, events have necessitated that the Commission redraw the timeline. I now anticipate the Commission will be in a position to propose a new SIA Bill to the Minister before the end of 2023.

During 2022, the Commission developed the draft Securities Industry (Financial Resources) Rules, which were presented for public consultation. The Rules seek to prescribe the financial requirements and lay out the calculation methods to be used for firms registered under the Securities Industry Act, including those registered to

carry on or provide markets for contracts for differences securities business. The amended Rules, reflective of the responses received from the consultation period, are expected to be brought into effect in 2023.

### **Financial and Corporate Service Providers Act**

The Commission developed draft Rules for non-bank money lending business licensed pursuant to the Financial and Corporate Service Providers Act, 2020. The draft Rules were issued for public consultation in February of 2022. The Commission subsequently engaged with industry participants through stakeholder meetings and received invaluable insight into how the Rules could be made more pragmatic and generally improved to establish proper licensing and information disclosure requirements, conduct standards, and funding capital and financial reporting requirements. The Commission is preparing new draft Rules to address the issues raised comprehensively, with a finalisation target of 2023.

### **New Membership of the Commission**

On 1 July 2022, the Commission welcomed a new chairman and several new Members to the Board. I recognise and thank the outgoing Board, chaired by Robert V Lotmore, for their leadership, professionalism and service to the Commission. The Commission has grown immensely, in terms of its oversight responsibilities, regulatory capacity, financial independence and many other metrics, over the years since that Board's empanelment in 2017, and the institution is better positioned to meet the challenges of the moment and near future due to their governance.

With great enthusiasm, the management and staff welcome the new Board, chaired by the Hon Justice K Neville Adderley (Ret). Justice Adderley, along with several other Members served on the outgoing board, which is indicative of the Government's commitment to continuity and consistency in the Commission's strategic direction as well as the quality of governance the Commission will enjoy into the immediate future.

I recognize and thank the Commission's staff and management, who have remained committed to and focused on the Commission's regulatory responsibilities to investors, the markets, the financial system, and our role in advancing the nation's economic growth. Together, we will continue our work to be recognised as a best-in-class financial regulator and to promote confidence and integrity for businesses operating in or from within The Bahamas.



# Management Team

As at 31 December 2022



**CHRISTINA R ROLLE**  
Executive Director



**CHRISTIAN ADDERLEY**  
Deputy Executive Director  
Head of Policy, Research & Compliance



**ALYSIA ARCHER-  
COLEBROOKE**  
Senior Manager  
Administration



**JOHN CLARKE**  
Manager  
Information Technology



**BERNADETTE GIBSON**  
Senior Manager  
Human Resources



**RENALDO HARDING**  
Manager  
Examinations



**MAGAN KNOWLES**  
Manager  
Supervision  
SIA and IFA Unit



**MECHELLE MARTINBOROUGH**  
Deputy Executive Director  
Senior Legal Counsel  
Office of Legal Counsel



**STEWART MILLER**  
Manager  
Investor Education &  
Communications



**SHERINN MUNNINGS**  
Manager  
Project Management  
& International Relations



**LESLEY PEARSON**  
Senior Manager  
Internal Audit



**ASHLEY POITIER**  
Manager  
Supervision  
FCSPA and DARE Unit



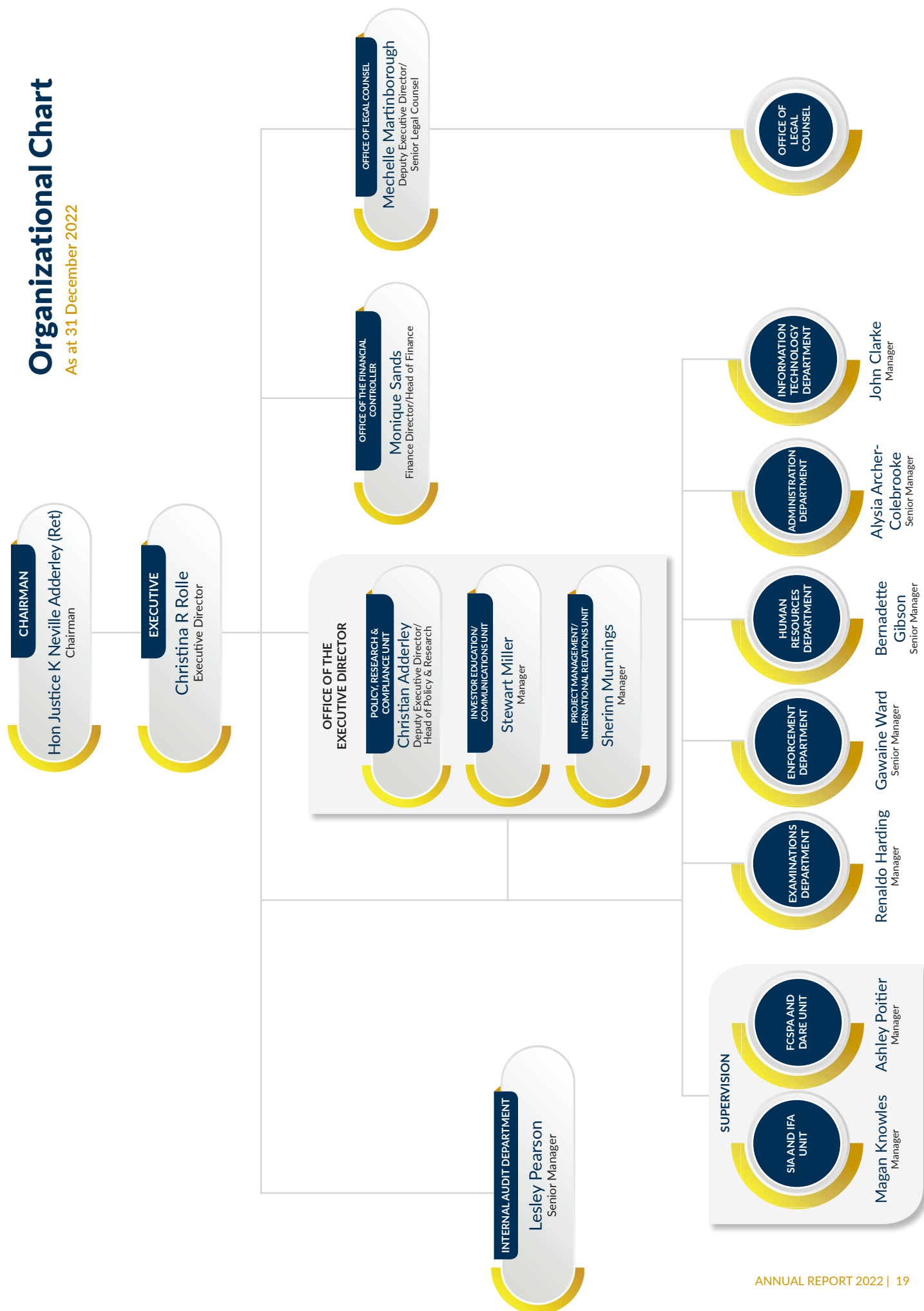
**MONIQUE SANDS**  
Finance Director  
Head of Finance  
Office of the Financial Controller



**GAWAÏNE WARD**  
Senior Manager  
Enforcement

# Organizational Chart

As at 31 December 2022





# SCB BY THE NUMBERS

Key regulatory figures for the Securities Commission  
of The Bahamas for 2022



## Registrants and Licensees

as at 31 December

- 176** SIA firms
- 741** SIA individuals
- 46** IFA investment fund administrators
- 682** IFA investment funds
- 271** Financial and Corporate Service Providers
- 10** Digital asset businesses



## Enforcement

- 3** new matters
- 1** matter closed
- 1** matter referred to another agency
- 14** matters open as at 31 December
- 5** public notices issued



## IFA NAVs

as at 31 December

**\$50.3 billion** net asset value of investment funds



## Legislative

- DARE AML/CFT/CPF Rules, 2022** gazetted 16 March
- DARE (Amendment) 2022** gazetted 20 May
- Carbon Credits Trading Act, 2022** gazetted 11 August



## Examinations

- 31** routine
- 218** AML breaches
- 165** other breaches



## Penalties Assessed

- \$30,200** SIA firms
- \$86,200** IFA investment funds
- \$16,350** Financial and Corporate Service Providers



## International Cooperation

- 22** requests closed
- 22** requests received
- 25** requests open as at 31 December

# Departments of the Commission

## Office of the Executive Director

The Office of the Executive Director (OED) supports the Executive Director in managing the day-to-day operations of the Commission. To achieve its objectives the office has three units. Policy, Research and Compliance has responsibility for collecting, analysing and reporting statistical data; supporting the development of research and policy papers; providing technical support in the development of legislation and maintaining the FinTech innovation hub SCB FITLink. Investor Education and Communications is responsible for managing the Commission's investor education programme, and overseeing public relations and communication. Project Management and International Relations oversees management of local and international stakeholder relationships; facilitating strategic planning; monitoring international standards setters and managing special projects.

## Internal Audit Department

The Internal Audit Department (IAD) was established in October 2022. IAD reports to the Board via the Audit Committee and the Executive Director. Following the department's establishment, the Commission engaged an audit firm to provide services with respect to the design and implementation of the IAD function. The firm will support the Commission in the development of a charter and work programs as well as an enterprise risk assessment. The risk assessment will inform internal audit priorities for 2023 and beyond.

## Supervision Department

The Supervision Department (SUD) is responsible for processing applications for the licensing and registration of persons wishing to conduct registrable and licensable activities under the legislation administered by the Commission. It is responsible for the on-site monitoring and supervision of market participants under the administered Acts and the review and registration of prospectuses for public offerings and private placements. The department is also tasked with monitoring solvency and operational and conduct risks of the Commission's licensees and registrants, which includes continuous Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing (AML/CFT/CPF) monitoring.

## Examinations Department

The Examinations Department (EXD) is responsible for on-site and off-site examinations of all registrants and

licensees. This includes processing and recommending applicants to act as the Commission's agents for the on-site examination of financial and corporate service providers, and reviewing any examinations they conduct on behalf of the Commission.

## Office of Legal Counsel

The Office of Legal Counsel (OLC) provides legal advice to the Commission. OLC spearheads the review and development of laws related to securities, the capital markets, financial and corporate services and financial sector legislation generally, assisting in development and review of the Commission's guidelines and policies relating to the laws under the Commission's administrative remit, and managing matters of international cooperation.

## Enforcement Department

The Enforcement Department (END) primarily implements disciplinary actions pursuant to laws administered by the Commission. The department defends the Commission in litigation matters and, where deemed necessary, initiates litigation to enforce laws administered by the Commission. END also investigates operations or entities (involving companies and individuals) that are operating in The Bahamas without a license or registration as required by law.

## Office of the Financial Controller

The Office of the Financial Controller (OFC) is responsible for all aspects of the Commission's financial matters, including preparation and monitoring of annual budgets and the preparation of financial statements.

## Human Resources Department

The Human Resources Department (HRD) is responsible for the daily management of the human resources of the Commission, which includes ensuring adequate human capital to facilitate the Commission's mandate, as well as implementing and enforcing staff regulations.

## Administration Department

The Administration Department (ADD) plans and oversees general administrative support and office services including the Commission's document management systems. The department is also responsible for general safety requirements within the premises and maintenance of the Commission's equipment and vehicles.

## Information Technology Department

The Information Technology Department (ITD) facilitates the information and electronic communications needs of the Commission.



# Operations

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## Policy and Research

During 2022, the Commission focused its policy and research initiatives on the following areas:

- Drafting digital assets policy statements, guidance, guidelines and frequently asked questions, which, among other things, provided regulatory clarity regarding the Commission's digital asset framework;
- Researching and analysing initiatives to utilize the carbon markets, including carbon offsets and carbon credits, to expand the products and services available in the securities and capital markets, in The Bahamas;
- Drafting and implementing a regulatory framework for the trading of carbon credits in the secondary market;
- Conducting an operations, technology and regulatory framework analysis on the capital markets of The Bahamas, and providing recommendations to assist in their further growth and development;
- Leveraging SCB FITLink, the Commission's FinTech Hub, to further the regulator's engagement with the public on issues related to FinTech, and assisting stakeholders with understanding The Bahamas' digital asset regulatory landscape; and
- Collaborating with international standards setting bodies in drafting a holistic guidance, including best practices and principles, on the regulation of Decentralized Finance (DeFi).

### Digital Asset Regulatory Framework

To further support the regulatory framework, the Commission finalized various digital-asset related policy guidance, guidelines and notes. These included:

- A digital asset policy statement (DAPS), "The Bahamas' Approach to Digital Asset Regulation" (published in September 2022);
- DARE Act Frequently Asked Questions (FAQs) Fact Sheet;
- Compliance Guide for the "Travel Rule", as recommended per the FATF (Recommendation16); and
- White papers outlining potential new and/or amended ongoing requirements for digital asset businesses.

## Digital Asset Policy Statement

Given the development of – and inherent risks associated with – digital assets and digital asset businesses, the Commission finalized the DAPS, which:

- Explains the Commission's considerations in developing the existing digital asset regulatory framework, including examining the risks and threats associated with digital asset activities, and assessing the respective measures to mitigate those activities;
- Describes the Commission's digital asset regulatory philosophy;
- Clarifies the registration and supervision process for DABs;
- Outlines the Commission's future legal and regulatory considerations for the regulation of digital assets; and
- Assists prospective and current DABs with understanding and complying with the Commission's regulatory requirements, including the registration process and adhering to ongoing monitoring requirements.

### DARE Act Frequently Asked Questions (FAQs)

As a companion to DAPS, the Commission published a Frequently Asked Questions (FAQs) toolkit, which answers the most commonly asked questions from the public on matters relating to digital asset policy and regulation. The FAQs addresses key topics, such as:

- Physical presence requirements;
- Regulatory capital requirements;
- Application (registration and/or licensing) processes and requirements;
- AML/CFT obligations;
- Regulatory obligations for non-fungible tokens and staking activities.

### Future Strategy and Next Steps

Having complied with international recommended best practices regarding the regulation of digital assets and digital asset businesses, the Commission intends to monitor developments in this area for the immediate future, with a view to determining the appropriate regulatory response as the need arises. There are immediate plans to review and update the DARE Act, where necessary, to address the following FinTech and digital asset trends:

- Accounting considerations for digital assets;
- Segregation provisions for digital asset clients;



- Staking and NFT activities;
- Advertising of digital assets to investors; and
- Stablecoins.

## Virtual Asset and Virtual Asset Service Providers National Risk Assessment

In accordance with the Financial Action Task Force's (the FATF) standards recommending that countries identify, assess and understand their virtual asset (VA) and virtual assets service providers' (VASP) exposure to money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risk, the Commission completed a country-level ML/TF VASP national risk assessment (NRA). As part of the assessment, the Commission created and disseminated surveys to VASPs and interviewed VASPs registered to operate in The Bahamas. Based on the results of the survey and the interviews, and in accordance with the World Bank's NRA Methodology VAs and VASPs were assigned an ML/TF risk rating and a VASP NRA report produced. The report ultimately assessed that the VA and VASP risks was low.

## Travel Rule Compliance

The Travel Rule is a key AML/CFT measure, which prescribes how traditional financial institutions, as defined by the FATF, should implement policies and procedures that mitigate against the threat of criminals using electronic wire transfers as a tool to launder money or engage in other illicit activities.

The FATF provides bespoke guidance to VASPs, entities not initially captured under the Rule, as to how they should obtain, hold, and exchange information about the originators and beneficiaries involved in virtual asset wire transfers.

The Rule was compared with that of The Bahamas' relevant digital asset legislation to determine whether there were gaps in the regulatory framework. Amendments were made to the relevant legislation, where appropriate.

## Carbon Markets

The impact of climate change presents significant economic, financial, social and environmental concerns on a global scale. Due to these risks, governments, corporations and other organizations are aiming to mitigate the growth in concentrations of greenhouse

gases (GHGs), as one of the primary methods identified to reduce their increasing negative impact. Carbon markets with high-quality carbon credits and offsets could play a vital role in helping countries with the decarbonization of the global economy, while also providing substantial economic benefits. In The Bahamas, industry participants have averred that the country is in a position to realize tremendous economic benefits from the carbon markets. The Government of The Bahamas enacted the "Climate Change and Carbon Market Initiatives Act, 2022" to support the country's ability to meet global GHG reduction targets, ensure compliance with international obligations and to enable the establishment of a market in The Bahamas to trade carbon credits. As a result of its research, the Commission made recommendations to the Government regarding the creation of legal framework for trading of Carbon Credits in the secondary markets.

## Research Paper

The Commission analysed the current nature, scope and composition of the international carbon markets, and benchmarked the international treaties and agreements that regulate carbon credit trading activity. A review of other jurisdictions' approach to regulating carbon markets, such as cap-and-trade programs and carbon offsetting to inform the development of a framework for The Bahamas.

## Carbon Credit Trading Act, 2022

The Commission created a bespoke framework to establish a voluntary carbon credit market, where credits can be traded on an exchange, registered with and regulated by the Commission. More information about the Act may be found in the Legislation section of this report, on page 47.

## Capital Markets Review

The Commission continued its review of The Bahamas' capital markets in 2022, in order to inform recommendations to support their sustained growth and development. The focus areas of the research and analysis included the domestic capital markets inclusive of public offerings, protection of investors, investor education, and securities exchange practices. As a part of this review, the Commission also benchmarked capital markets development initiatives in eight jurisdictions. The Commission anticipates publishing a report of its research finding and recommendations in 2023.

## Collaboration with International Standards Setting Bodies

As a member of the IOSCO Fintech Steering Group the Commission was a part of the drafting of the IOSCO DeFi public report (DeFi Report). Specifically, the Commission drafted the “Risks and Concerns” section of the DeFi Report, the purpose of which was to provide a general understanding of DeFi, including some areas of potential regulatory concern. The report was published in March 2022.

## SCB FITLink

Since 2019, the Commission’s FinTech hub, SCB FITLink, has served as the central point of contact for the Commission’s engagement with both local and international stakeholders on issues related to FinTech, such as digital asset business, crowdfunding, distributed ledger technology, artificial intelligence and initial token offerings.

During 2022, SCB FITLink held in-person or virtual meetings with **86** stakeholders. This surpassed the 2021 total of **75**.

Figure 1: Categories of FinTech questions submitted to SCB FITLink

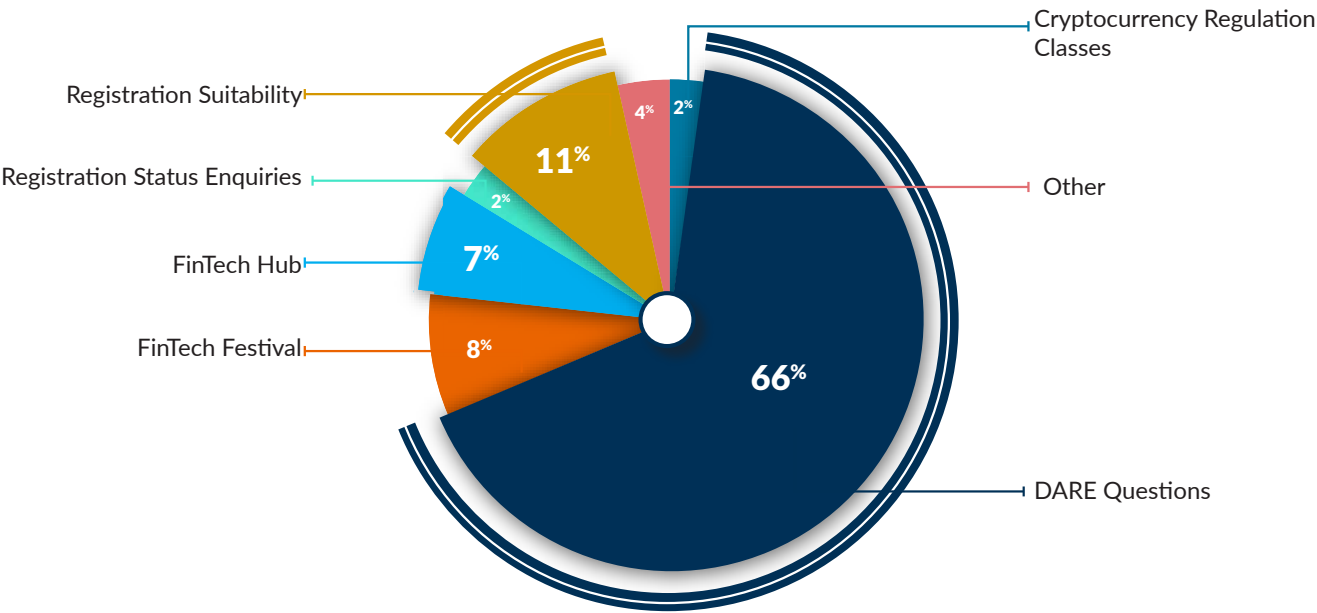
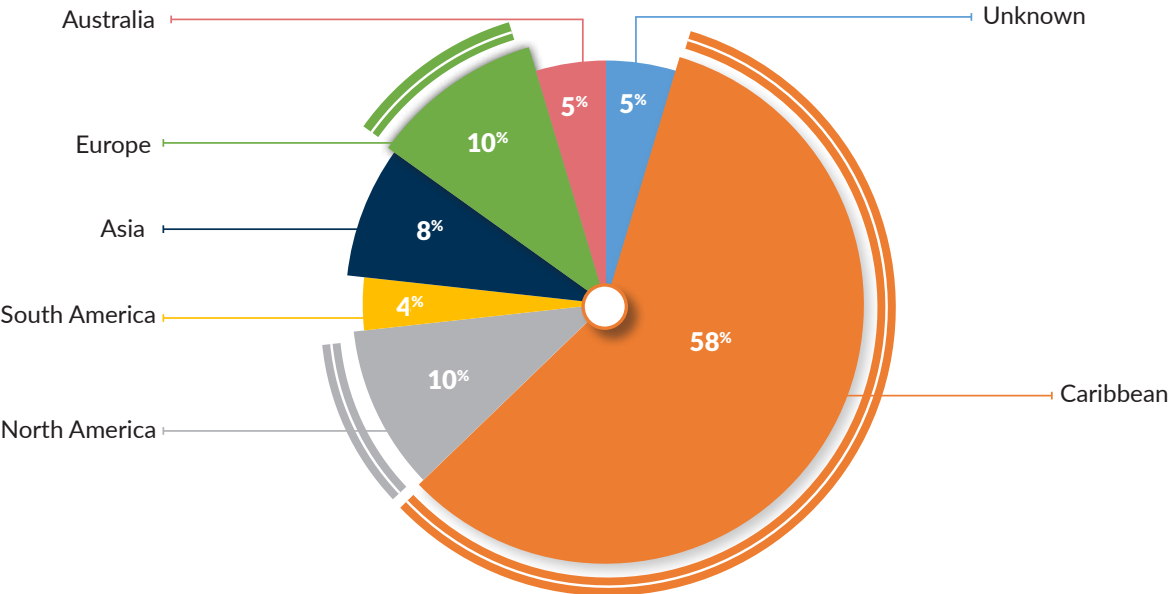


Figure 2: FinTech questions, by region, submitted to SCB FitLink





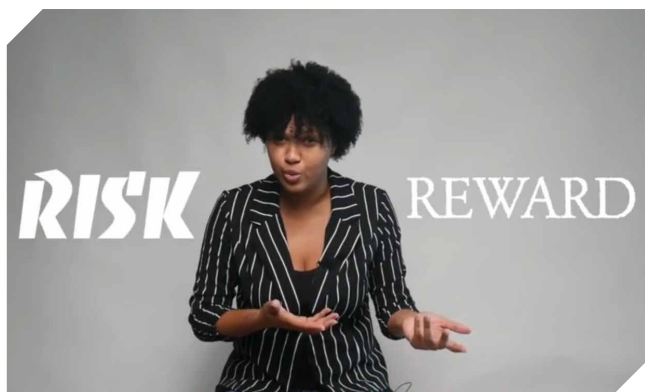
## Proliferation Financing Guidance

In 2021, the Commission developed an internal research paper that benchmarked the NRA outcomes and methodologies of various jurisdictions that have improved their Proliferation Financing (PF) ratings, as assessed by the World Bank. One of the recommendations stemming from this paper was to update the national PF Guidelines. In 2023, the Commission will work with the Group of Financial Services Regulators (GFSR) with the aim to update these guidelines.

## Investor Education

Financially literate investors with access to reliable, current investment information are better empowered to grow their wealth and protect themselves from falling victim to investment frauds, scams, and other misconduct. This underlying principle drives the Commission's approach to investor education and the execution of its function to promote an understanding of the capital markets and its participants, and the benefits, risks and liabilities associated with investing.

Throughout 2022, the Commission's investor education initiatives reinforced the importance of financial resilience for individuals and the community.



### **"Starting Out? Start Right!" Video Competition**

During 2022, the Commission concluded the "Starting Out? Start Right!" Video Competition, launched as part of the Commission's celebration of World Investor Week 2021. Bahamians and residents aged 18 and older were invited to produce a 2-to-4-minute video on fundamental financial literacy and investor education concepts like developing savings habits, managing debt and financial planning. Participants were also

required to develop the video's messaging to target persons between the ages of 18 and 25. There were 15 video submissions.

The Commission released a video announcing the winning contestants on its social media pages and YouTube channel. The video also ran on local television stations during prime viewing periods.

"Risk and Reward" by Rontre Rolle and Stameika Symonette won the first place cash prize of \$5000. Their video highlighted the importance of investors understanding the relationship between risk and reward and their risk tolerance. Second runner up and winner of the \$3000 cash prize was Trayias Bowe's "Starting Out? Start Right!" submission, which focused on ways persons between the ages of 18 and 25 can achieve financial success and wealth. Third runner up and winner of the \$2000 cash prize was Basil Bowe with "Wise Money Hacks for Gen Z: Starting Out, Start Right!". This submission spoke directly to Generation Z on money management. Lakeisha Rolle's submission "Starting Out? Start Right! - 5 Ways to Achieve Financial Resilience and Build Wealth" won the People's Choice prize of \$1000.

Submitted videos and the Commission's announcement video are posted to the Commission's website, Facebook page and YouTube channel.

## World Investor Week (WIW) 2022

The Commission celebrated WIW 2022 during 3-9 October under the themes of investor resilience and sustainable finance. Prime Minister the Hon Philip Davis, KC declared the month of October "Investor Education Month" in the Commonwealth of The Bahamas. The proclamation recognizes the role financial literacy and investor education plays in growing the economy.

### **Let's Make Money Moves! FinTok Competition**

On 3 October, under the theme "Let's Make Money Moves!", the Commission launched a bespoke version of the International Organization of Securities Commissions' (IOSCO) WIW 2022 FinTok Competition. Participants were asked to produce a short video, one to three minutes long, focusing on one of WIW 2022's key messages.

Keshagen Adderley emerged as the winner of the \$500 grand prize. His video provided an overview of three key ways that smart investors can avoid financial frauds and scams.

For the month of October, the dedicated FinTok competition page was the third most visited on the Commission's website.

### **SCB's Media Tour**

The Commission embarked on a local radio and television tour to increase awareness of the role of the securities regulator in the domestic capital and financial markets and highlight the importance of financial literacy and investor education.

### **Ring the Bell**

The Commission participated in a virtual bell ringing signalling the official opening of WIW in the Americas region. B3 Brasil, Bolsa, Balcao (the stock exchange located in São Paulo) and the Comissão de Valores Mobiliários hosted the event. Executive Director Rolle brought remarks in her capacity as Vice Chair of the Inter-American Regional Committee of IOSCO.

### **Are You A Smart Investor? T-Shirt Day**

The Commission held a T-shirt day for its staff. Staff wore their "Are You a Smart Investor?" T-shirt to help raise awareness of key investor education concepts and the global celebration of WIW. The T-shirts featured a QR code that linked to investor education content on the Commission's website.

### **Harnessing Social Media**

The Commission released "How the Commission Protects Investors" and "How the Commission Protects Consumers", two 60-second infomercials. Both videos sought to help the public understand the Commission's role in protecting investors and consumers. The videos were released on the Commission's social media pages as well as its YouTube channel and shared on WhatsApp. The infomercial focusing on frauds and scams prevention also aired on local television stations throughout the month of October, during prime viewing times.

During "Investor Education Month" the Commission disseminated daily posts centered on the WIW 2022 campaign's key messages. Posts appeared on Facebook, Instagram, Twitter and LinkedIn. The increased

frequency in posts led to an uptick in followers on the Commission's social media pages.

## **Project Management and International Relations**

### **Affiliations and Memberships**

The Commission maintains membership in various international, regional and local organizations to stay abreast of regulatory and standards developments, and rising risks and threats, among other things. Some of these memberships also allow the Commission to represent stakeholder concerns and regulatory considerations specific to the jurisdiction at international fora.

### **International Organization of Securities Commissions (IOSCO)**

The International Organization of Securities Commissions (IOSCO) is the global standard setter for securities and capital markets regulators. The Commission has been an ordinary member of IOSCO since September 1996, and became a signatory to Appendix A of its Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) on 27 December 2012.

The Commission became an early adopter and signatory to Appendix A of the Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMoU) on 21 November 2018. The EMMoU was established "to keep pace with technological, societal and market developments; to bolster deterrence; and to ensure that IOSCO continues to meet its objectives."

The IOSCO Board is the governing and standard setting body of IOSCO and comprises 34 securities regulators. The Commission is currently a Board member and a member of six IOSCO committees and a number of groups:

### **Growth and Emerging Markets Committee (GEMC)**

seeks to promote the development and efficiency of emerging securities and futures markets.

**Inter-American Regional Committee (IARC)** discusses regional issues to contribute a regional perspective to Board debates and policy work. The Commission's executive director currently serves as Vice-chair of IARC having been first appointed in April 2020 for the remainder of the term 2018-2020 and then for the term 2020-2022. The executive director was re-elected vice-chair in July 2022 for the term 2022-2024.

**Assessment Committee (AC)** assesses implementation of IOSCO Principles and Standards across the IOSCO membership.

**Committee on Enforcement and the Exchange of Information (Committee 4)** aims to help prevent and detect the breaches of securities laws and regulations in global financial markets and seeks to implement global enforcement cooperation under the IOSCO MMoU.

**Committee on Regulation of Market Intermediaries (Committee 3)** seeks to promote investor protection and market efficiency through its recommendations on issues relating to market intermediaries.

**MMoU Monitoring Group** consists of all MMoU signatories and is tasked with monitoring the operation of the IOSCO MMoU.

**MMoU Monitoring Group Steering Committee (MMoU MG SC)** serves to review problematic issues identified through use of the MMoU and make recommendations to the Monitoring Group as to how these should be addressed.

**MMoU Screening Group** is tasked with reviewing MMoU applications to establish if applicants meet the requirements for becoming signatories to the MMoU.

**Operational Resilience Group (ORG)** was formed to examine the operational resilience of regulated entities during the COVID-19 pandemic and to identify any themes and gaps in existing IOSCO and other international organizations' principles and guidance on operational resilience.

**Fintech Task Force** is responsible for developing, overseeing, delivering and implementing IOSCO's regulatory agenda with respect to Fintech and crypto-assets.

**Fintech Task Force Steering Group** is responsible for setting the strategic direction of the FinTech Task Force and actively oversees the direction of IOSCO's work in relation to crypto.

### **Caribbean Group of Securities Regulators (CGSR)**

The Caribbean Group of Securities Regulators (CGSR), formed in 2002, aims to facilitate information sharing and collaboration between Caribbean securities regulators to enhance regional securities supervision.

### **Global Financial Innovation Network (GFIN)**

The Global Financial Network (GFIN), launched in 2019, is an international network of financial services regulators and related organizations committed to supporting financial innovation. GFIN aims to create a framework for cooperation between financial services regulators on innovation topics and sharing of experiences and approaches. It also seeks to provide efficient ways for innovative firms to interact with regulators and navigate between countries. The Commission attained membership in 2020.

### **Group of Financial Services Regulators (GFSR)**

The Group of Financial Service Regulators (GFSR) comprises domestic financial services regulators, the Central Bank of The Bahamas, the Compliance Commission of The Bahamas, the Financial Intelligence Unit, The Gaming Board of The Bahamas, the Insurance Commission of The Bahamas, and the Securities Commission of The Bahamas. The group serves as a medium for information sharing between its members and international financial services regulators. Members use this forum to discuss unique and shared regulatory challenges.

### **International Forum for Investor Education (IFIE) Americas Chapter, Caribbean Working Group (CWG)**

The International Forum for Investor Education (IFIE), formed in 2005, aims to unite and engage global organizations across sectors to help improve financial capability and investor education. The IFIE Americas Chapter, formed in 2011, works on priority issues and needs of the Americas region, benefitting from the resources, programing and experience of the IFIE global network of partners and other global-regional chapters. The Securities Commission of The Bahamas is a founding member of the IFIE Americas Chapter Caribbean Working



Group (CWG), whose focus is developing programs on financial capability and investor education within the Caribbean context. The Commission's representative co-chaired the CWG in 2022.

**Table 7: Membership meetings attended during 2022**

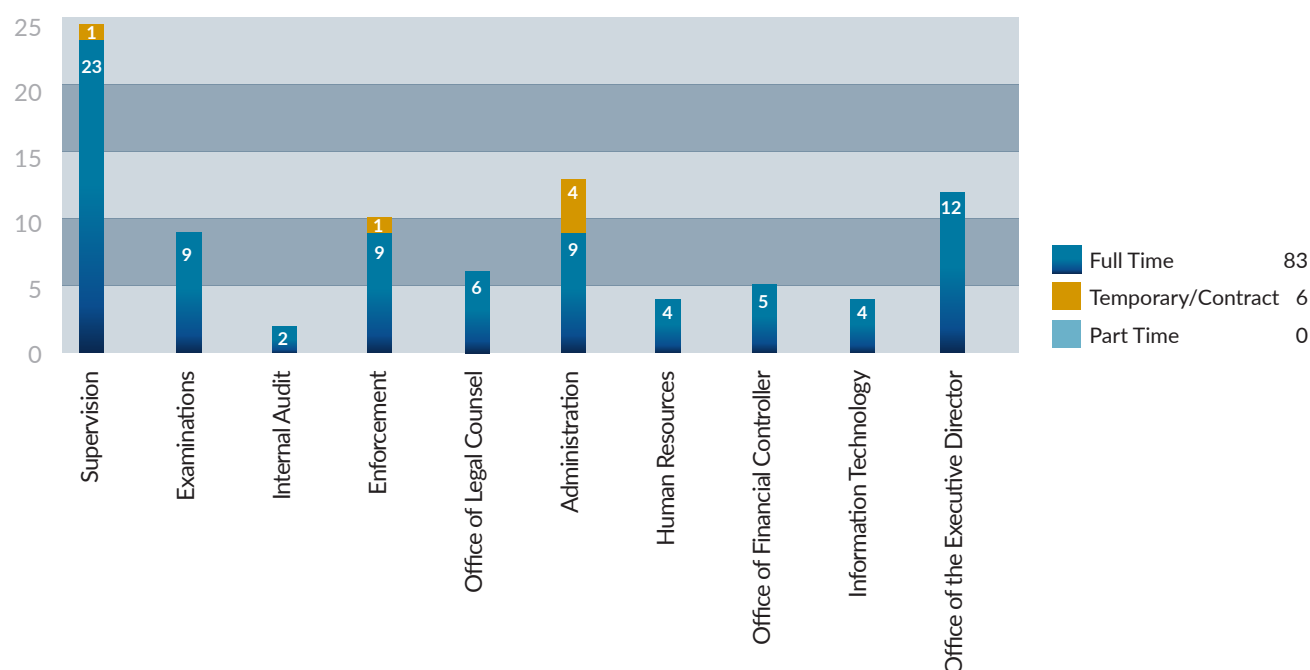
Meeting/Conference/Date	Place	Theme/Topic
<b>International Organization of Securities Commissions (IOSCO)</b>		
Annual Meeting of IOSCO 17–19 October	Marrakech, Morocco	Discussions on recent work (published reports and projects), market developments, capacity building, and regulatory updates in member jurisdictions.
Assessment Committee (AC) 26 January 26 June	Virtual Virtual	
C3 (Committee on Regulation of Market Intermediaries) 22 February 22 March	Virtual Virtual	
C4 (Committee on Enforcement and the Exchange of Information) and Screening Group 1 1-2 March 18 May 28-29 June 28 September 29 November–1 December	Virtual Virtual Virtual Virtual Madrid, Spain	Information not available to the public.
Fintech Task Force 6 April	Virtual	
Fintech Task Force Steering Group 6 May 24-25 May 12-13 July 24 August 11 October	Virtual Singapore London, UK Virtual Virtual	
<b>Inter-American Regional Committee (IARC)</b>		
IARC 17 March	Virtual	Discussions on the Enhanced MMoU. Updates on Board discussions, and reports from IARC members, FINRA and NASAA on their main initiatives and projects.
IARC 29 June	Virtual	Discussions on Market Fragmentation and updates on the work of Fintech Task Force and the Sustainable Task Force.
IARC 17 October	Marrakech, Morocco	Updates on Board discussions, Crypto Assets, Sustainable Finance, Market Fragmentation, Risks and Opportunities for Capital Markets. Meeting chaired by Vice-chair Christina Rolle, Executive Director of the Securities Commission of The Bahamas.
<b>Caribbean Group of Securities Regulators (CGSR)</b>		
Annual Meeting 4 March	Virtual	Discussions on priorities, the impact of Covid-19 on the Securities Sector, Fintech Developments, Fraudulent Securities Activities, AML/CFT Matters and Crisis Management.

Meeting/Conference/Date	Place	Theme/Topic
<b>Global Financial Innovation Network (GFIN)</b>		
Quarterly Meeting 28 March	Virtual	Discussions on the regulatory structure and innovation in financial technology.
RegTech/SupTech Showcase 23 June	Virtual	Discussions on the latest developments across GFIN's three work streams: Regulatory Reporting, the RegTech Ecosystem and SupTech.

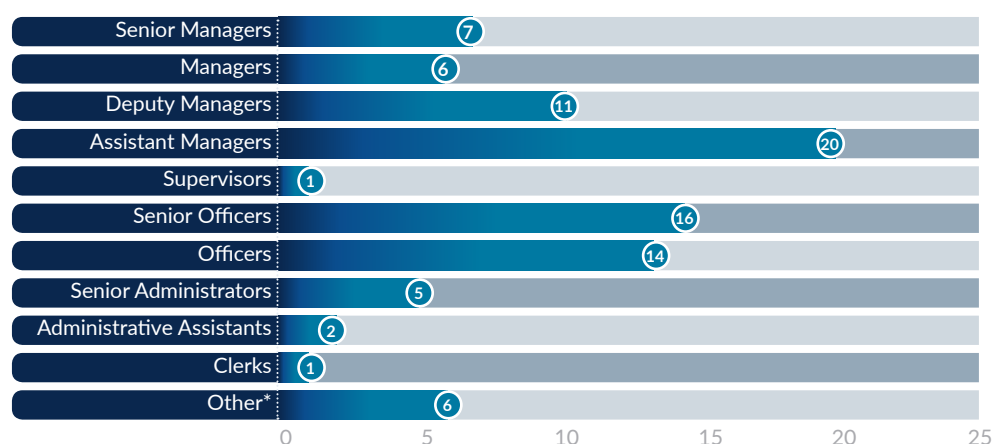
## Human Resources

As at 31 December 2022, the Commission's staff complement stood at **89**, comprising **83** full-time employees and **6** temporary/contract employees.

**Table 8: Number of employees by department**

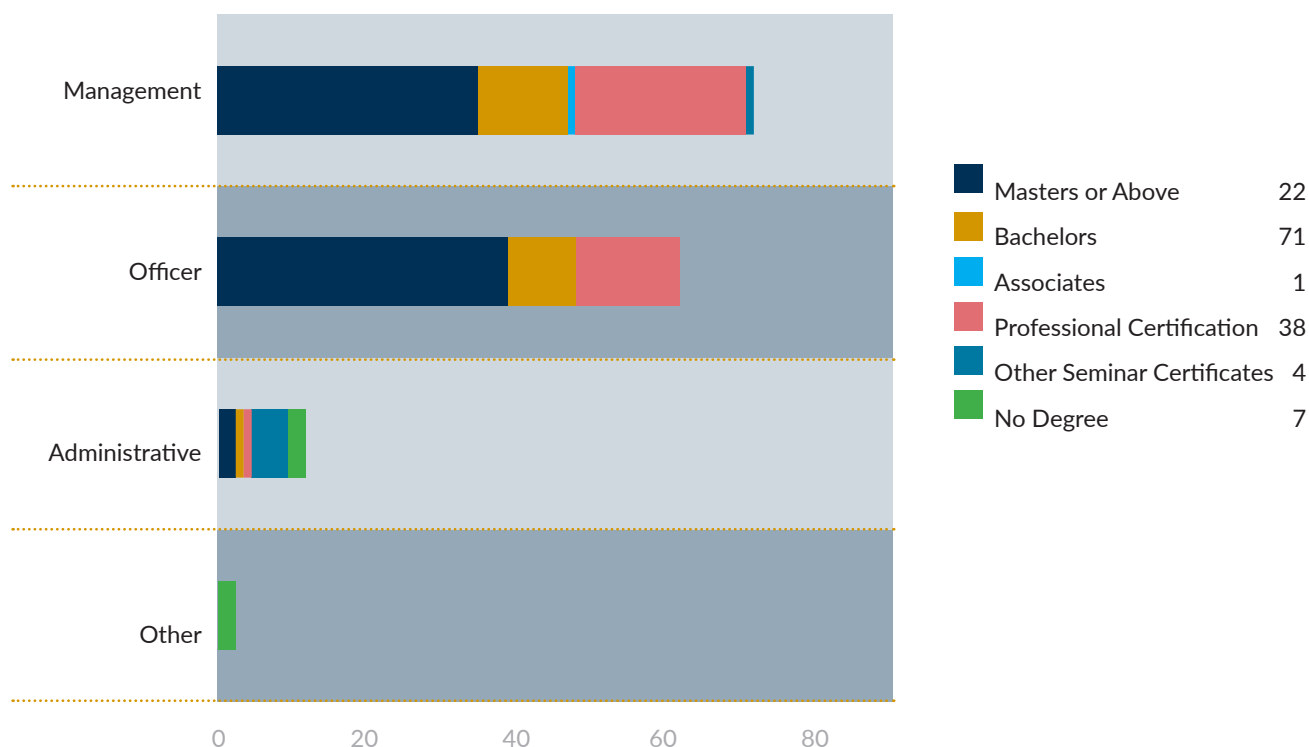


**Table 9: Number of employees by position**



\* Other represents **3** Clerical workers, **1** Logistics Assistant, **1** Janitress and **1** investigations officer on contract.

Table 10: Qualifications of Commission employees across positions



During 2022, the Commission held 3 staff meetings: 2 regular and 1 special. All meetings were in-person.

## Staff Education and Training

During 2022, the Commission continued its support of staff development to strengthen its capacity to execute its functions and ongoing priorities. Capacity building opportunities for employees included travel as required. The majority of training, conferences, seminars and meetings were in-person for 2022.

Table 11 International and domestic capacity building opportunities attended by Commission staff in 2022.

Conference/Meeting/Training/Place	Number of Staff Attended
<b>International</b>	
Institut Europeen D'Administration des Affaires, Fontainebleau, France	1
Securities Industry Institute (SII) 2022, Philadelphia, PA	9
Hedgeweek, New York, NY	3
Empire FinTech Conference, New York, NY	1
The International Women's Forum (IWF) Fellows Program at Harvard University, Las Vegas, NV	1
Society for Human Resource Management (SHRM) 2022 Conference and Expo, New Orleans, LA	3
London School of Economics and Political Science: Regulation: Theory, Strategy, and Practice, London, England	1
The Institute of Internal Auditors Vision University, Orlando, FL	2
Association of Certified Anti-Money Laundering Specialists (ACAMS) 21st Annual Conference, Las Vegas, NV	3
2022 IOSCO Annual Meeting, Marrakech, Morocco	6



Conference/Meeting/Training/Place	Number of Staff Attended
<b>International</b>	
International Women's Forum 2022 World Leadership Conference, Las Vegas, NV	1
2022 Hong Kong FinTech Week, Hong Kong, China	1
AICPA & CIMA Women's Global Leadership Summit, Miami, FL	1
Sagcor Cave Hill School of Business & Management Executive Leadership Programme, Fort Lauderdale, FL	1
IOSCO Screening Group and C4 Meetings, Madrid, Spain	4
CFATF 55th Plenary and Working Group Meetings, Cayman Islands	2
IOSCO/PIFS Havard Law School Global Certificate Program for Regulators of Securities Markets Phase I, Madrid, Spain (virtual)	13
IOSCO/PIFS Harvard Law School Global Certificate Program for Regulators of Securities Markets Phase II, Cambridge, MA	8 virtual 4 in person
MIT Management Executive Education Blockchain Technologies: Business Innovation and Application, Cambridge, MA (virtual)	7
MIT Media Lab Cryptocurrency course, Cambridge, MA (virtual)	10
Wharton School Economics of Blockchain and Digital Assets certificate program, Philadelphia, PA (virtual)	4
<b>Local</b>	
Bahamas Association of Compliance Officers (BACO) Compliance Day 2022	2
Bahamas Society for Human Resource Management (BSHRM) Annual Conference & Expo	1

## Health and Wellness Initiatives

The Commission continues to maintain a safe environment for the health and wellness of staff. In its effort to increase benefit offerings, improve employee health, and manage health plan costs, the Commission continues to facilitate its insurance provider's health program, with staff incentives and accommodation of initiatives offered. Participants have the opportunity to increase their awareness of health and wellness through a number of initiatives that provide the tools to make informed lifestyle choices.

## Community Outreach

### Social Committee Initiatives

#### Back to School Jamboree

In August 2022, the social committee of the Securities Commission of The Bahamas sponsored a back to school jamboree for 200 students from the Bain and Grants

Town, St Barnabas and Free Town communities, under the theme "We Grow When We Give". The jamboree aimed to ease the financial burden of parents preparing for the new school year.

Hosted on the grounds of the Commission, participants had a fun-filled day with food and drinks, free haircuts, bouncing castles, face painting and entertainment. The day concluded with school supplies and snack vouchers giveaways for each family.

#### "TeamGiving" Table Decorating Competition

The Commission celebrated thanksgiving with a "TeamGiving" exercise. Staff provided non-perishable grocery items which were used in a table decorating competition. At the conclusion, the social committee donated the boxes of groceries to three non-profit organizations and one school. The receiving organizations were Pat's Senior Citizen Home, Unity House, Lawrence Rolle feeding program, Government High School Guidance Department.

## Administration

### Business Continuity Plan (BCP)

In May 2022, the Commission's BCP Team conducted off-site testing of accessibility to its systems and servers. The team tested the capacity to execute critical functions remotely. The exercise gave the BCP team the opportunity to familiarize itself with business continuity plans and procedures. The test was deemed a success, with a few areas identified for further follow-up.

### Document Management Software Solution

During the first half of 2022, the Commission implemented phase two of its Document Management Software Solution (DMSS), OnBase. The application, chosen in part because of the capability to allow users to easily create functional workflows, allows for greater efficiency. The workflows present opportunities for process enhancements as documents are funnelled through its document sharing feature. This phase provided additional software functionality and workflow efficiencies.

## Information Technology

### Compliance and Regulatory Interface (CoRI)

The major technological improvement for the Commission during the year was to the Compliance and Regulatory Interface (CoRI) platform. CoRI is a web-based filing portal, introduced in 2021, which allows registrants and licensees to electronically submit required filings to the Commission, safely, swiftly and conveniently. Although introduced in direct response to social distancing protocols during the pandemic, CoRI will be maintained and upgraded to continually improve regulatory filing convenience for constituents and help position the SCB for transition to a data-driven work environment.

### Server Infrastructure

The Commission made great strides toward future-proofing its digital capabilities by upgrading and enhancing the server infrastructure. The industry leading solution delivers increased redundancy, availability and responsiveness while allowing for the continued growth of the Commission's information processing needs.

### Other Updates

The Commission developed a progressive testing schedule as an integral part of the information security framework. The schedule includes routine testing of the internal and external network components by a third-party security vendor to uncover and mitigate vulnerabilities. This will enhance future security efforts. The Commission continues to explore new and innovative ways to maintain a secure environment.

During 2022, information security measures focused on prevention and detection. To this end, increased testing was aimed at detecting possible opportunities that ill-intentioned persons could exploit. The tests included external penetration testing, internal penetration testing, WI-FI and firewall testing, and a technical assessment of the Commission's current technological infrastructure against industry standards. Improvements to our IT environment were implemented based upon these assessments.

Also in 2022, the Commission introduced a major initiative, Project Butterfly, to digitize and further enhance the operational efficiencies for internal and external users. See page 34.

# Project Butterfly

Technology to Improve your Everyday



Over the years, the Commission's strategic approach to regulation has always included some element of enhancing its operations through the use of evolving technologies. Recognizing the impact that evolving technology was having across the globe on systems and operations, and even how this evolution would continue to impact financial services and products, we have worked to utilize technology to more efficiently manage our documents and data, and work towards filtering this approach across the regulatory and supervision functions of the Commission.

Weaved throughout the three major objectives in the Commission's Strategic Plan for 2021-2024 is the goal to leverage technology to improve how we regulate the segments of the financial services sector that fall within our purview. Operationally, the Commission has challenged itself to become more efficient in the collection and management of its data. Further, consideration was given on how available data can be better analysed and used within the regulatory reporting and supervisory functions of the organization. These goals aim to target and address service level standards, and streamline processes from the point of application through to ongoing supervision of our registrants and licensees, and to aid in our ongoing and developing FinTech goals.

The Commission also continues to use technology to improve how we regulate our industry. Technology will continue to play an integral role in analysing data managed by the Commission to enhance our regulation and supervision of our licensees and registrants, to reporting nationally and internationally on relevant matters and to aid in the continued development of regulation and policies.

In fulfilling the specific targeted actions related to the strategic goals, the Commission conducted a detailed internal review of its current business processes and existing IT environment in the second quarter of 2022. With the assistance of an external consultant, workshops were held with each department to identify





and discuss business processes, reporting practices, data governance, relevant analytics and areas of concerns. From department and management-level discussions, and other investigations, a Business Requirements Report detailing the Commission's current business processes, its reporting and analytics processing, and IT landscape was developed. The report concluded with recommendations on areas for improvements, the identification of critical areas to be addressed first, and planned steps that the Commission could follow to improve, develop and then transform its operational environment with the use of technology. Armed with this detailed analysis of our operations, the Commission set out on a digital transformation initiative: Project Butterfly, to ease business for constituents and expand both our operational efficiency and regulatory effectiveness.

The Commission launched Project Butterfly in May 2022. The project, divided into two phases, includes the digitization of the Commission's business processes, revising the external facing Compliance and Regulatory Interface (CoRI) solution, enhancing the external and internal portals for the Commission and unifying critical databases. It also includes the automation of selected processes and the development of an electronic workflow management system to manage both internal and external processes. The project will help the Commission to evolve in many areas:

### **Business process analysis, mapping and management**

The kick-off of Project Butterfly began the identifying and prioritizing of the Commission's operating procedures. Phase one of the project involves the evaluation and improvement of 110 of the Commission's most critical processes. For each operating procedure, an analysis of how the relevant process served its purpose was conducted, with a view to streamlining and improving each where appropriate. This process has resulted in more efficient and optimal operations within the Commission.

### **Digitizing of application forms and data sources**

While the Commission has made electronic applications available on its website for some time, the introduction of the existing CoRI filings portal provided applicants with the ability to submit applications and other filings electronically. An important aspect of Project Butterfly is the digitization of all SCB forms. Digital forms within the CoRI portal will interact with the applicants, by presenting questions specific to the applicant, providing pre-populated data specific to that entity and ensuring that forms relevant to the applicant are available. Importantly, the Commission will be able to collect data directly from the forms without the need for manual transfer or manipulation.

A critical component of Project Butterfly is the development of a unified database to store information relevant to constituents. Information collected from the digital forms will be stored directly in the unified database and feed into various workflows, analysis and reports.

### **Implementation of new and enhanced CoRI filings portal**

The Commission has been attentive to the concerns that constituents have raised with the current CoRI filings portal, which was introduced to facilitate the submission of applications and filings during the COVID-19 pandemic. As a part of Project Butterfly, an improved interface is being developed. The redesigned portal will include a constituent's access to its filings history and live tracking of submissions, where appropriate. Constituents can also expect a simplified sign-off process for forms.

### **Automation and interconnectivity**

During the analysis of each business process, opportunities to automate steps, specific workflows or entire processes were considered, particularly for identified critical business processes. Steps such as capturing of information, or circulating information, will also be automated.

The CoRI filings portal, will set the stage for intradepartmental automation of workflows and further efficiency gains. For the initial phase of Project Butterfly, five internal processes have been identified for automation, which will involve intradepartmental workflows and task management, robotic process automation and interconnectivity with a central, unified database. This will immediately provide for greater efficiency.

For constituents, Project Butterfly will translate into a significantly improved ease of business experience. It will provide access to current information about developing risks and other trends within the industry, and the opportunity to share in our efficiency gains, with less time spent submitting requisite filings, and researching the status of submissions like applications and filing extension requests.

Internally, this transformation will result in staff being able to focus more strategically on the regulation of the industry, and be more accessible to address the more pressing concerns of constituents.

Upon completion of Project Butterfly, the Commission intends to develop a data warehouse as the culmination of the digital transformation initiative. The implementation of the data warehouse will leverage the significance of the information and data the Commission collects. It will expand our capacity to spot trends within the industry, and improve the quality of information we provide for our own regulatory functions, as well as the reports to inform industry participants, investors, consumers of financial services, which fall under our regulatory remit, international standards setters, policymakers, and the general public.



# **Supervision, Examinations, and Enforcement**

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# Capital Markets Overview

The Bahamas International Securities Exchange (BISX) continued to serve as a crucial element in the Bahamian capital markets as the only registered securities exchange. As at 31 December 2022, the market comprised 37 primary market listings (2021: 37) which included 20 ordinary shares with a market capitalization of \$5.78 billion (2021: \$4.84 billion), 8 preference shares with a market capitalization of \$249 million, 9 Bahamas Government Stock (BGS) and corporate bonds with a face value of \$462 million, and 231 Bahamas Registered Stock (BRS) with a face value of \$3.7 billion.

The volume of shares traded on BISX in 2022 was 8.863 million (valued at \$65.302 million) in contrast to 2021 when the volume of shares traded was 12.045 million (valued at \$108.438 million). Additionally, as at 31 December 2022 the BISX All-share index closed at 2,645.06 compared to 2,228.24 in 2021, which represented an 18.71% increase.

## Licensing, Registration and Examinations

### Securities Industry Act (SIA), 2011

#### Firms under the SIA

In 2022, the Commission approved **13** new firms under the Securities Industry Act (SIA). **2** firms upgraded their license to conduct registrable securities business. **4** firms surrendered their license in 2022. As at 31 December 2022, there were **176** registered securities firms in the industry, which represents a net increase of **9** firms when compared to 31 December 2021.

Table 12: Firms registered under the SIA

	Registered Firms as at 31 December	Approved Firms	Surrenders Completed	Registered Firms as at 31 December
Category	2021	2022	2022	2022
Dealing as principal or agent	3	0	0	3
Dealing as agent only	9	0	0	9
Arranging deals in securities only	0	0	0	0
Managing securities only	13	1	0	14
Advising on securities only	8	1	0	9
Dealing as agent only and Arranging deals in securities	11	1	1	11
Dealing as agent only and Advising on securities	1	0	0	1
Arranging deals in securities and Managing securities	1	0	0	1
Arranging deals in securities and Advising on securities	1	1	0	2
Managing securities and Advising on securities	44	1	1	44
Dealing as principal or agent and Advising on securities	1	0	0	1
Dealing as principal or agent, Arranging deals in securities	15	2	1	16
Dealing as principal or agent, Managing securities and Advising on securities	4	0	0	4
Dealing as principal or agent, Arranging deals in securities and Advising on Securities	1	0	0	1
Dealing as principal or agent, Arranging deals in securities and Managing Securities	3	0	0	3
Arranging deals in securities, Managing securities and Advising on securities	3	3	0	6

	Registered Firms as at 31 December	Approved Firms	Surrenders Completed	Registered Firms as at 31 December
Category	2021	2022	2022	2022
Dealing as principal or agent, Arranging deals in securities, Managing securities and Advising on securities	17	3	0	20
Dealing as agent only, Arranging deals in securities, Managing securities and Advising on securities	29	0	1	28
Clearing facilities	1	0	0	1
Marketplaces	2 *	0	0	2
<b>Total</b>	<b>167</b>	<b>13</b>	<b>4 **</b>	<b>176</b>

\*Figure revised from SCB Annual Report 2020

\*\*The surrenders includes surrenders completed from previous years that had not been reported.

## Market breakdown by activity

The SIA provides for five categories of registrable activities.

Table 13: Firms by registrable activities

Category	2022
Dealing as principal or agent	48
Dealing as agent only	49
Arranging deals in securities	82
Managing securities	76
Advising on securities	116

## Categories of individuals under the SIA

In 2022, **58** individuals were approved under the SIA. Of the individuals recorded as registered at the end of 2021, a total of **65** individual registrations were surrendered or not renewed. As at 31 December 2022, there were **741** registered individuals under the SIA.

Table 14: Categories of individual registration under the SIA

	Individuals Approved	Registered Individuals as at 31 December
Category	2022	2022
CEO	8	146
Compliance officer	18	133
Representative – Trading	8	131
Representative – Discretionary management	5	136
Representative – Advising	5	188
CEO and Representative – Trading	0	0
CEO and Representative – Discretionary management	1	0
CEO and Representative – Advising	1	0
Representative – Trading and Discretionary management	1	0
Representative – Trading and Advising	2	0

	Individuals Approved	Registered Individuals as at 31 December
Category	2022	2022
Representative – Discretionary management and Advising	1	3
CEO, Representative – Trading and Advising	0	1
CEO, Representative – Discretionary management and Advising	3	1
Representative – Trading, Discretionary management and Advising	3	2
CEO, Representative – Trading, Discretionary management and Advising	2	0
<b>Total</b>	<b>58</b>	<b>741 *</b>

\*The figures for registered individuals include approvals and surrenders from previous years that had not been reported.

## Market breakdown by activity

The SIA provides for three categories of registrable activities for individuals. A single individual may be registered for a combination of these activities.

Table 15: Individuals by registrable activities

Category	As at 31 December 2022
Trading Representative	138
Discretionary Management Representative	161
Advising Representative	206

## Penalties

Penalties assessed in 2022 against SIA firms was **\$30,200.00** for late filing of financial statements and/or late payment of annual fees.

## Securities Industry Act (SIA), 2011 Examinations

### Firms

During 2022, pursuant to the SIA, 2011, **17** on-site examinations were conducted on firms registered to conduct securities business. There were no For Cause or Joint On-Site examinations of licensees conducted with CBoB.

Table 16: On-site examinations by category of registration

Category	2022
Dealing as principal or agent	1
Managing securities only	2
Advising on securities only	1
Managing securities and Advising on securities	4
Dealing as principal or agent, Arranging deals in securities	3
Dealing as agent, Arranging deals	1
Arranging deals in securities, Managing securities and Advising on securities	1
Dealing as principal or agent, Arranging deals in securities, Managing securities and Advising on securities	3
Dealing as agent only, Arranging deals in securities, Managing securities and Advising on securities	1
<b>Total</b>	<b>17</b>



## Investment Funds Act (IFA), 2019

### Investment Fund Administrators

During 2022, **4** investment fund administrators were licensed by the Commission while **2** investment fund administrators surrendered their license. As at 31 December 2022, there were **46** licensed investment fund administrators.

During 2022, **5** foreign fund administrators acted on behalf of Bahamas-based funds. As at 31 December 2022, **23** licensed investment funds were being self-administered pursuant to Section 8 of the IFA, 2019.

Table 17: Licensed Investment Fund Administrators

	Licensed Administrators as at 31 December	Approved Licensed Administrators	Surrenders	Licensed Administrators as at 31 December
Category	2021	2022	2022	2022
Unrestricted	31	2	1	32
Restricted	13	2	1	14
<b>Total</b>	<b>44</b>	<b>4</b>	<b>2</b>	<b>46</b>

### IFA, 2019 Examinations

No examinations of registrants or licensees under the IFA were conducted during 2022.

### Investment Funds

In 2022, **41** new investment funds were approved and licensed; of those, the Commission licensed **10**, and **31** were licensed by unrestricted investment fund administrators and filed with the Commission. During 2022, **36** funds entered into liquidation or surrendered their license, resulting in **682** licensed investment funds at year-end.

Table 18: Investment Funds licensed under the IFA

	Funds as at 31 December	Approved Funds	Surrendered/ Liquidated Funds	Funds as at 31 December
Category	2021	2022	2022	2022
Standard Funds	29	2	1	30
Professional Funds	205	14	9	210
SMART Fund Model 001	12	0	0	12
SMART Fund Model 002	129	7	10	126
SMART Fund Model 003	3	0	0	3
SMART Fund Model 004	121	5	9	117
SMART Fund Model 005	4	0	0	4
SMART Fund Model 006	2	0	0	2
SMART Fund Model 007	172	13	7	178
<b>Total</b>	<b>677</b>	<b>41</b>	<b>36</b>	<b>682</b>

### Penalties

Penalties assessed in 2022 against IFA investment funds was **\$86,200.00** for outstanding audits and/or late payment of annual fees.

Table 19: Investment Funds licensed by UIFAs and SCB

Category	Licensed and filed by UIFAs	Licensed by SCB
Standard Funds	N/A	2
Professional Funds	7	7
SMART Fund Model 001	0	0
SMART Fund Model 002	7	0
SMART Fund Model 003	0	0
SMART Fund Model 004	5	0
SMART Fund Model 005	0	0
SMART Fund Model 006	0	0
SMART Fund Model 007	12	1
<b>Total</b>	<b>31</b>	<b>10</b>

Table 20: Investment Fund Managers registered during 2022

Investment Fund Managers	As at 31 December 2022
Registered Investment Fund Managers	207
Investment Funds with Registered Investment Fund Manager	470
Investment Fund Manager Registration Applications Processed in 2022	183

## Investment Funds Sector Net Asset Values (NAVs)

The Commission licenses investment funds in The Bahamas that invest in numerous underlying investments such as private equity, stocks, fixed income, real estate, ETFs, derivatives and cryptocurrency; in various structures, including hedge funds, fund of funds and feeder funds.

Total net asset value by all investment funds at 31 December 2022 was **\$50.3 billion**, compared to \$50.9 billion for the period ending 31 December 2021, a decrease of 1.18%

## Financial and Corporate Service Providers Act (FCSPA), 2020

On 14 December 2020, the Financial and Corporate Service Providers Act (FCSPA), 2020 was promulgated enhancing the regulatory framework for the industry.

In 2021, after the COVID-19 pandemic, emphasis was placed on transitioning licensees under the FCSPA, 2000 to the FCSPA, 2020. The transition period was six months following the implementation of the Act. The FCSPA, 2020 allowed licensees to be licensed in the categories of Corporate Services, Financial Services or Financial and Corporate Services, based on their business activity. The FCSPA, 2020 now requires persons engaged in areas such as financial advisory/consultancy services, financial intermediation, financial leasing services, money broking, custody of digital assets and wallet providers to be licensed by the Commission.

During 2022, **25** financial and corporate service providers (FCSPs) were newly licensed, while **11** licensees transitioned to the FCSPA, 2020, and **11** surrendered their licenses.

As at 31 December 2022, there were **271** licensed FCSPs. This comprised **205** licensees in the category of Corporate Service Provider, **34** licensees in the category of Financial Service Provider, and **32** licensees in the category of Financial and Corporate Service Provider.

Table 21: Registered Financial and Corporate Service Providers

	FCSPs as at 31 December	Approved	Transitioned	Surrendered	FCSPs as at 31 December
Category	2021	2022	2022	2022	2022
Companies	176	19	7	5	197
Partnerships	15	0	0	0	15
Individuals/ Unincorporated Bodies	55	6	4	6	59
<b>Total</b>	<b>246</b>	<b>25</b>	<b>11</b>	<b>11</b>	<b>271</b>

Table 22: Financial and Corporate Service Providers licensed by category

Category	As at December 2022
Corporate Services only	205
Financial Services only	34
Financial and Corporate Services	32
<b>Total</b>	<b>271</b>

## Penalties

Penalties assessed in 2022 against FCSPs was **\$16,350.00** for late payment of annual fees and/or nonsubmission of IBC fees.

## FCSPA, 2020 Examinations

A total of **20** examinations of financial and corporate service providers were conducted during 2022; **13** were conducted by the Commission and **7** conducted by the Commission's appointed agents.

Table 23: Examinations by category of Financial and Corporate Service Providers during 2022

Category	Conducted by SCB	Conducted by Agents
Corporate Services only	9	4
Financial Services only	4	2
Financial and Corporate Services	0	1
<b>Total</b>	<b>13</b>	<b>7</b>

## Digital Assets and Registered Exchanges Act (DARE), 2020

The Digital Assets and Registered Exchanges Act (DARE), 2020 came into force on 14 December 2020, providing for the regulation of digital asset business offered in or from within The Bahamas.

As at 31 December 2022, there were **10** firms registered to conduct digital assets business; **1** firm was registered as both a Digital Asset Business and Digital Token Exchange.

Table 24: DARE, 2020 registrants

Category	As at 31 December 2022
Digital Asset Business	9
Digital Asset Business & Digital Token Exchange	1
<b>Total</b>	<b>10</b>

## DARE, 2020 Examinations

**One** examination was conducted during 2022.



# Enforcement

There were **12** enforcement matters brought forward from 2021. During 2022, there were **3** matters opened and **1** matter closed. As at 31 December 2022, **14** enforcement matters remained open, of which **10** involved litigation, **3** were administrative and **1** was a criminal matter. Administrative matters primarily concern non-compliance with filing obligations and client files/records requirements under the Securities Industry Act and Regulations.

Table 25: The nature of enforcement matters in 2022

Type of Matter	# of matters brought forward from previous years into 2022	# of new matters opened in 2022	# of matters closed in 2022	# of matters that remained open by end of 2022
Litigation	9	2	1	10
Administrative	3	0	0	3
Criminal	0	1	0	1 *
<b>Total</b>	<b>12</b>	<b>3</b>	<b>1</b>	<b>14</b>

\*The criminal matter was transferred to another agency, however, the Commission maintains the matter on its records until it is resolved.

Table 26: Notices issued by the Commission during 2022

Notice	Issue Date	Description*
Himalaya Exchange aka Himalaya International Clearing Ltd	25 January 2022	It was brought to the attention of the Commission that Himalaya Exchange may be carrying out activities that are registrable under one or more of the Acts. The Commission has commenced an investigation into the complaints, which is ongoing. A Public Notice was issued warning the public about doing business with this entity. We note this was removed in 2023. This entity is regulated in Australia.
Financial Schemes Are Unlawful	22 March 2022	The Commission has, for some time, received complaints about programs or schemes touted as bona fide investments or legitimate financial solutions and being offered to the public. The Commission informs that these programs or schemes are illegal under the Act and should therefore be avoided.
Evolve Invest Limited	22 March 2022	It was brought to the attention of the Commission that Evolve Invest Limited may be carrying out activities that are registrable under one or more of the Acts. An investigation was conducted and it was determined that the entity was not registered with or licensed by the Commission. A Public Notice was issued warning the public about doing business with this entity.

Entities Not Regulated by the Securities Commission of The Bahamas	20 June 2022	It was brought to the attention of the Commission that Alpha Exchange International Group, Alpha Trade Station Plc/Alpha Trade Station Corp, Astro Forex Trade, Crypto Titan Trades Corp Crypto Titan Trades Plc, Cryptosville, Equity Option Trade Corp/Equity Option Trade Plc, Forexexpresstrade Corp/Forexexpresstrade Plc, Forexruby Corp/Forexruby Plc, Fxprofit Planet Corp/Fxprofit Planet Plc, Hodlworld24 Corp/Hodlworld24 Plc, Investors Group Of East Gate Corp/Investors Group Of East Gate Plc, Realfactorfx Corp/Realfactorfx Plc, Stallion Trade Plc/Stallion Trade Corp, Surehavenfx Corp/Surehavenfx Plc, and Valizerfxtrading Corp/Valizerfxtrading Plc all may be carrying out activities that are registrable or illegal under one or more of the Acts. A Public Notice was issued warning the public about doing business with these entities and their agents/representatives.
Cash Forex Group aka Cash FX Group aka Cash FX Group SA aka CFX or CFX Group	22 July 2022	It was brought to the attention of the Commission that Cash Forex Group aka Cash FX Group aka Cash FX Group SA, aka CFX or CFX Group may still be carrying out activities that are registrable under one or more of the Acts. An investigation was conducted and it was determined that the entity was not registered with or licensed by the Commission. A Public Notice was issued warning the public about doing business with this entity.
MMG Fund Services Bank	27 October 2022	It was brought to the attention of the Commission that MMG Fund Services Bank may be carrying out activities that are registrable or illegal under one or more of the Acts. An investigation was conducted and it was determined that the entity was not registered with or licensed by the Commission. A Public Notice was issued warning the public about doing business with this entity.

The full text of public notices, investor alerts and press releases issued by the Commission, along with copies of judgments are available on the Commission's website.

## Other Updates

During 2022, the Commission formally sought the assistance of an overseas regulator – using the IOSCO MMoU – with providing information to assist with the Commission's ongoing investigations. The Commission sent 1 overseas request for information during the course of the year. As at year end 2022, the Commission had received a response to the request.



# Legislation

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# Legislative Updates

## Gazetted Legislation

### Digital Assets and Registered Exchanges (Anti-Money Laundering, Countering Financing of Terrorism and Countering Financing of Proliferation) Rules, 2022

Gazetted 16 March 2022

The Digital Assets and Registered Exchanges Rules establish AML/CFT/CPF standards for DARE registrants. It addresses the deficiencies with respect to the FATF's Recommendation 15 regarding new technologies.

The Rules apply to digital assets and digital asset service providers.

### Digital Assets And Registered Exchanges (Amendment) Act, 2022

Gazetted 20 May 2022

The Digital Assets and Registered Exchanges (Amendment) Act establishes a framework for the monitoring and sanctioning of persons carrying on or purporting to carry on digital asset business activities without the requisite registration pursuant to DARE, 2020.

These Amendments are premised on international developments particularly the revised FATF Recommendation 15 deficiencies, requiring an expansion of the Commission's regulatory, enforcement and cooperative powers to be applied to the digital asset space. They establish a regulatory framework for the monitoring of unregistered persons engaging in digital asset business and extend the Commission's sanction powers as it relates to registrants under DARE. The Amendments principally:

1. Address the FATF Recommendations 15.5, 15.6 and 15.11 deficiencies;
2. Introduce an obligation on behalf of the Commission to monitor unregistered persons carrying on, involved in or purporting to carry on or be involved in digital asset business; and
3. Strengthen the Commission's enforcement powers as it relates to Virtual Asset Service Providers (VASPs) including freezing powers and the compelling of information and evidence.

The Amendments apply to any person carrying on, involved in or purporting to carry on or be involved in digital asset activity pursuant to the Digital Assets and Registered Exchanges Act, 2020.

### Carbon Credit Trading Act, 2022

Gazetted 11 August 2022

The Act establishes a regulatory framework for the trading of carbon credits in or from within The Bahamas.

The key features of the Act include requirements for:

1. Registration of carbon trading businesses;
2. Commission approval of carbon trading product listings on carbon trading exchanges;
3. Registrants to maintain adequate financial resources and solvency;
4. Implementation of record keeping and data protection measures; and
5. Compliance with AML and CFT prevention measures and standards.

The Act also established offences, penalties, and sanctions for breaches of its provisions.

## Consultation Documents

### Financial and Corporate Service Providers (Money Lenders) Rules, 2022

The draft Rules establish a supervisory framework for non-bank money lending. Key features of the proposed framework are:

1. Licensing requirements;
2. Establishment of conduct standards;
3. Mandatory requirements for the inclusion of specific terms in money lending contracts;
4. Requirement for licensees to have satisfactory funding capital for money lending; and
5. Financial reporting requirements.

The Rules were issued for a 30-day public consultation 2 February 2022. After careful consideration of the issues raised during the consultation, the Commission withdrew the Rules and is revising them with a view to issuing a new draft of the Rules addressing some of the concerns identified during the consultation.

Consultation period: 2 February – 15 March 2022

## The International Obligations (Economic and Ancillary Measures) Act (IOEAMA)

The International Obligations (Economic and Ancillary Measures) Act (IOEAMA) provides for the imposition of economic sanctions and the implementation of ancillary and countermeasures as internationally required, as well as operationalizes the international obligations of The Bahamas. In accordance with the requirements of IOEAMA and the Anti-Terrorism Act and Regulation 2018, the Commission issues notices of United Nations Security Council Resolutions (UNSCRs), relevant annexes, schedules, and amendments thereto, to licensees and registrants for appropriate action. Additionally, in accordance with the requirements of IOEAMA, the Commission issues notices of unilateral sanctions imposed by a foreign state against a person or another foreign state pursuant to an Order by the Governor General or a Directive from the Attorney General.

The Commission monitors the compliance of licensees and registrants with required actions through an initial confirmation of compliance, due within 30 days of the issuance of a notice by the Commission, quarterly confirmations of compliance, and annual declarations of compliance, as a component of its supervision and onsite examination regimes.

The Commission disseminated **26** IOEAMA UNSC resolution related notices, and **1** Unilateral Sanction notice in 2022.

## Caribbean Financial Action Task Force (CFATF) Update

The CFATF is an international organization of states and territories of the Caribbean Basin that have agreed to implement common standards and obligations to address money laundering, terrorism financing and the financing of proliferation of weapons of mass destruction. The primary objective of the CFATF is to ensure regional compliance with, and effective implementation of the FATF 40 Recommendations. This objective is achieved in part through ongoing Mutual Evaluations, and subsequent reports, of Member States. The Mutual Evaluation Report summarizes the anti-money laundering, countering the financing of terrorism and countering the financing of proliferation of weapons (AML/CFT/CPF) regimes in place within

a member country. The report also gives an analysis of the country's level of compliance with the FATF 40 Recommendations, the level of effectiveness of the country's AML/CFT/CPF regime (the FATF 11 Immediate Outcomes), and includes recommendations on ways the technical aspects of the regime and the effectiveness thereof can be improved.

The Bahamas was rated compliant or largely compliant with 40 of 40 FATF Recommendations in November 2022, after having received upgraded ratings to compliant for technical compliance with CFATF's recommendations 8 and 15, which address non-profit organizations and new technologies respectively.

The Bahamas remains committed to implementing and maintaining an appropriate and effective AML/CFT/CPF regime inclusive of the implementation of a vigorous AML/CFT/CPF framework, a National Risk Assessment Framework, and AML/CFT/CPF Guidance Notes and industry training outreach.

## International Cooperation

Pursuant to Sections 34 and 36 of the Securities Industry Act, 2011 (SIA), the Commission is authorized to exchange information with its international counterparts for administrative, supervisory and enforcement purposes including criminal proceedings related to securities laws.

The Commission is an 'A' signatory to IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU). The Commission is also an A1 signatory to the IOSCO Enhanced MMoU Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMoU). Where the Commission receives a request from an international counterpart that is also a signatory to the MMoU or the EMMoU information is exchanged accordingly.

The Commission evaluates every request received to ensure that it meets minimum information sharing requirements, as set out in legislation and the terms of the MMoU and EMMoU. Most international requests are related to enforcement actions and must be related to breaches of securities laws.

## International Requests

There were **25** requests brought over from 2021. During 2022, the Commission received **22** new requests and closed **22** matters. Of the **22** closed matters, **5** were previously stayed. As at 31 December 2022, **25** matters remained open. Two new matters were stayed in 2022.

Table 27: Origin of requests from overseas regulators

Authority	Jurisdiction	# of new requests in 2022
Autorité des marchés financiers (AMF)	France	5
Autorité des Marchés Financiers (AMF)	Quebec	2
Capital Market Authority (CMA)	Saudi Arabia	1
Commissione Nazionale per le Società e la Borsa (CONSOB)	Italy	1
Financial Conduct Authority (FCA)	United Kingdom	1
Financial Market Supervisory Authority (FINMA)	Switzerland	1
Financial Sector Conduct Authority (FSCA)	South Africa	1
Securities & Futures Commission (SFC)	Hong Kong	1
US Securities and Exchange Commission (USSEC)	United States	9
<b>Total</b>		<b>22</b>

Table 28: International requests from overseas regulators

Open requests	Requests received	Matter Closed	Open Matters
As at 31 Dec 2021	2022	2022	As at 31 Dec 2022
<b>25</b>	<b>22</b>	<b>22</b>	<b>25</b>

During 2022, the Commission made **one** request of an overseas regulator pursuant to the IOSCO MMoU, namely British Virgin Islands Financial Services Commission. At year-end the Commission had received a response to that request.



## Frequently Used Abbreviations and Terms

AC – Audit Committee

AML/CFT/CPF – Anti-money laundering/Countering the Financing of Terrorism/Countering Proliferation Financing

ATA, 2018 – Anti-Terrorism Act, 2018

BACO – Bahamas Association of Compliance Officers

BCP – Business Continuity Plan

BISX – Bahamas International Securities Exchange

BGS – Bahamas Government Stock

BRS – Bahamas Registered Stock

BSHRM – Bahamas Society for Human Resources Management

CFATF – Caribbean Financial Action Task Force

CGSR – Caribbean Group of Securities Regulators

Commission, the – Securities Commission of The Bahamas

COSRA – Council of Securities Regulators of the Americas

CoRI – Compliance and Regulatory Interference

CWG – Caribbean Working Group

DAB – Digital Asset Business

DAPS – Digital Asset Policy Statement

DARE – Digital Assets and Regulated Exchanges Act, 2020

DMSS – Document Management Software Solution

EMMoU – Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information

Ex officio member – A member of the Board by virtue of the office he or she holds

FATF, the – Financial Action Task Force

FCSP – Financial and Corporate Service Provider

FCSPA – Financial and Corporate Service Providers Act

GEMC – Growth and Emerging Markets Committee

GFSR – Group of Financial Services Regulators

GFIN: Global Financial Innovation Network

HRC – Human Resource Committee

IARC – Inter-American Regional Committee

IFA, 2019 – Investment Funds Act, 2019

IFIE – International Forum of Investor Education

IOEAMA – International Obligations (Economic and Ancillary Measures) Act

IOSCO – International Organization of Securities Commissions

MMoU – Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information

MMoU MG SC – MMoU Monitoring Group Steering Committee

NAV – Net Asset Value

NRA – National Risk Assessment

ORG – Operational Resilience Group

PF – Proliferation Financing

SCB – the Securities Commission of The Bahamas

SIA – Security Industry Act

SMART Fund – Specific Mandate Alternative Regulatory Test Fund

VA – Virtual Assets

VASP – Virtual Assets Service Provider



# Financials

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## Financial Summary

The audited financial statements that appear on the following pages of this Annual Report represent the financial position of the Securities Commission of The Bahamas (the Commission) as at 31 December 2022 along with the Commission's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards. Comparative figures for the year ended 31 December 2021 are also shown.

The Commission's income is mainly generated from fees charged to licensees, registrants and applicants under the Securities Industry Act, 2011 (SIA), the Investment Funds Act, 2019 (IFA), the Financial and Corporate Services Providers Act, 2020 (FCSPA), and the Digital Assets and Registered Exchanges Act, 2020 (DARE). This income is supplemented through funding from the Government of The Bahamas (the Government).

The Commission remained focused on enhancing its regulatory framework during 2022. This included promulgation of the Carbon Credit Trading Act, 2022, amendments to the Financial Transactions Reporting Act, 2000, and amendments to DARE. Technical consultancies associated with these pieces of legislation comprised the majority of the 66% increase in professional fees, with expenses totalling \$0.93 million in 2022 versus \$0.32 million in 2021.

In June of 2022, the Commission launched its automation and digitization initiative, Project Butterfly. Development and implementation costs contributed greatly to the \$0.57 million increase in office and computer expenses, from \$0.38 million in 2021 to \$0.95 million in 2022. The software development costs lead to the creation of computer software intangible assets of \$0.54 million.

The Commission experienced a major test of the DARE legislation in November 2022 with the collapse of FTX Digital Markets Ltd. The Commission exercised its regulatory powers to seize the entity's assets for the protection of its customers and creditors. Asset custody, legal and other expenses incurred for the seizure of the assets and the associated liquidation proceedings totalled \$3.15 million, representing 21% of operating expenses in 2022. The Supreme Court issued an order that entitled the Commission to indemnification for reasonable costs associated with the liquidation proceedings. Management estimated that reimbursement of \$2.57 million was highly probable. This led to the 76% increase in accounts receivable and the 58% increase in other income when compared to 2021.

In 2023, the Commission will continue to take necessary steps to protect customers and creditors subject to the ongoing licensee liquidation proceedings. The Commission will also continue its various legislative reviews. The major areas of focus will be the revision of the DARE Act to include, among various investor protection objectives, the expansion of digital asset activities under the Commission's regulatory ambit and a framework for regulation of digital asset custodians and wallet service providers. The Commission also expects to conclude the revision of the SIA. Consequently, the Commission expects to make significant investments in the related professional consultancies.



## Independent auditors' report

To the Members of the Securities Commission of The Bahamas

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Securities Commission of The Bahamas (the Commission) as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Commission's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Commission in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Commission's financial reporting process.

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### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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**Other matter**

This report, including the opinion, has been prepared for and only for the Members in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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*PricewaterhouseCoopers*  
**Chartered Accountants**  
**Nassau, Bahamas**

**30 June 2023**



**Securities Commission of The Bahamas**  
(Established under the laws of the Commonwealth of The Bahamas)

**Statement of Financial Position**  
**As at 31 December 2022**  
(Expressed in Bahamian dollars)

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Cash on hand and at banks	3,311,451	2,823,634
Accounts receivable, net (Note 6)	2,752,293	661,802
Prepaid expenses and other assets	1,026,109	30,955
Investments in debt securities (Note 4)	8,636,138	7,903,468
Right-of-use assets (Note 5)	2,359,291	2,914,240
Property and equipment (Note 8)	487,507	882,968
Computer Software (Note 9)	538,017	-
<b>Total assets</b>	<b><u>19,110,806</u></b>	<b><u>15,217,067</u></b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	3,993,520	1,494,850
Other liabilities	25,761	298,991
Lease liabilities (Note 5)	2,765,116	3,287,531
Deferred income (Note 10)	4,110,082	2,032,007
<b>Total liabilities</b>	<b><u>10,894,479</u></b>	<b><u>7,113,379</u></b>
<b>NET ASSETS</b>	<b><u>8,216,327</u></b>	<b><u>8,103,688</u></b>
<b>REPRESENTED BY:</b>		
Surplus	4,109,119	4,011,508
Revaluation reserve (Note 11)	(182,792)	(197,820)
Reserve fund (Note 11)	4,170,000	4,170,000
Special purpose reserve (Note 11)	120,000	120,000
	<b><u>8,216,327</u></b>	<b><u>8,103,688</u></b>

**APPROVED AND AUTHORISED FOR ISSUE BY THE MEMBERS OF THE SECURITIES COMMISSION OF THE BAHAMAS AND SIGNED ON THEIR BEHALF BY:**

  
Chairman

  
Director

30 June 2023  
Date

The accompanying notes are an integral part of these financial statements.

## Securities Commission of The Bahamas

### Statement of Comprehensive Income For the Year Ended 31 December 2022 (Expressed in Bahamian dollars)

	2022 \$	2021 \$
<b>INCOME</b>		
Fee income		
Securities industry licensees and registrants	5,694,346	5,050,322
Investment funds	2,357,028	2,446,498
Investment fund administrators and managers	1,157,455	1,124,973
Financial and corporate service providers	1,883,903	1,927,726
Digital assets and registered exchanges	193,977	48,976
Penalties	104,010	232,099
Securities exchange	16,875	46,406
Other	35,825	35,025
Total fee income	11,443,419	10,912,025
Government subvention (Note 10)	-	170,000
Interest income	410,943	308,995
Other income (Note 6)	3,211,727	1,349,935
<b>Total income</b>	<b>15,066,089</b>	<b>12,740,955</b>

The accompanying notes are an integral part of these financial statements.

## Securities Commission of The Bahamas

### Statement of Comprehensive Income For the Year Ended 31 December 2022 (Expressed in Bahamian dollars) (Continued)

	2022 \$	2021 \$
<b>EXPENSES</b>		
Salaries, wages and employee benefits (Note 12)	7,117,795	6,445,865
Rent (Note 5)	606,109	506,618
Depreciation on right-of-use assets (Note 5)	598,493	602,305
Professional fees	927,153	315,377
Office & Computer Expenses	946,567	376,595
Depreciation on property and equipment (Note 8)	431,817	416,464
Training and conferences	673,134	303,469
Interest expense on lease liabilities (Note 5)	168,199	196,234
Utilities and property charges	111,817	102,284
Advertising and public relations	97,930	25,476
Repairs and maintenance	59,209	53,975
Membership fees	42,687	46,736
Printing and publications	33,642	18,904
Bank charges	105,151	35,028
Investor education	43,158	124,149
(Recovery of)/provision for expected credit losses (Note 6)	(173,892)	194,249
Licensee liquidation proceedings (Note 6)	3,148,195	-
Legislative initiatives	24,343	8,742
Miscellaneous	6,971	7,467
<b>Total expenses</b>	<b>14,968,478</b>	<b>9,779,937</b>
<b>Net income</b>	<b>97,611</b>	<b>2,961,018</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to net income</i>		
Change in fair value of investments in debt securities at fair value through other comprehensive income	15,028	(8,715)
<b>Total comprehensive income</b>	<b>112,639</b>	<b>2,952,303</b>

The accompanying notes are an integral part of these financial statements.



## Securities Commission of The Bahamas

### Statement of Changes in Net Assets For the Year Ended 31 December 2022 (Expressed in Bahamian dollars)

	Surplus \$	Revaluation Reserve \$	Reserve Fund \$	Special Purpose Reserve \$	Total \$
<b>Balance as at 1 January 2021</b>	<b>1,220,490</b>	<b>(189,105)</b>	<b>4,000,000</b>	<b>120,000</b>	<b>5,151,385</b>
Net income	2,961,018				2,961,018
Other comprehensive loss	-	(8,715)	-	-	(8,715)
Total comprehensive income/(loss)	<u>2,961,018</u>	<u>(8,715)</u>	<u>-</u>	<u>-</u>	<u>2,952,303</u>
Transfer to the reserve fund (Note 11)	<u>(170,000)</u>	<u>-</u>	<u>170,000</u>	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance as at 31 December 2021</b>	<b><u>4,011,508</u></b>	<b><u>(197,820)</u></b>	<b><u>4,170,000</u></b>	<b><u>120,000</u></b>	<b><u>8,103,688</u></b>
<b>Balance as at 1 January 2022</b>	<b>4,011,508</b>	<b>(197,820)</b>	<b>4,170,000</b>	<b>120,000</b>	<b>8,103,688</b>
Net income	97,611				97,611
Other comprehensive income	-	15,028	-	-	15,028
Total comprehensive income	<u>97,611</u>	<u>15,028</u>	<u>-</u>	<u>-</u>	<u>112,639</u>
Transfer to the reserve fund (Note 11)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance as at 31 December 2022</b>	<b><u>4,109,119</u></b>	<b><u>(182,792)</u></b>	<b><u>4,170,000</u></b>	<b><u>120,000</u></b>	<b><u>8,216,327</u></b>

The accompanying notes are an integral part of these financial statements.

## Securities Commission of The Bahamas

### Statement of Cash Flows

For the Year Ended 31 December 2022

(Expressed in Bahamian dollars)

	2022 \$	2021 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	97,611	2,961,018
Adjustments for:		
Interest income	(410,943)	(308,995)
Depreciation on property and equipment (Note 8)	431,817	416,464
Depreciation on right-of-use assets (Note 5)	598,493	602,305
Interest expense on lease liabilities (Note 5)	168,199	196,234
Interest received	401,899	298,293
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(2,090,491)	(347,565)
(Increase)/decrease in prepaid expenses and other assets	(995,154)	74,786
Increase in accounts payable and accrued expenses	2,498,670	645,773
Decrease in other liabilities	(273,230)	(145,911)
Increase in deferred income	2,078,075	1,339,260
<b>Net cash provided from operating activities</b>	<b>2,504,946</b>	<b>5,731,662</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt securities	(708,600)	(2,000,000)
Purchase of property and equipment (Note 8)	(36,355)	(529,038)
Software development costs	(538,017)	-
<b>Net cash used in investing activities</b>	<b>(1,282,972)</b>	<b>(2,529,038)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of right-of-use asset	(43,543)	-
Interest paid on lease liabilities	(168,199)	(196,234)
Principal paid on lease liabilities	(522,415)	(523,134)
<b>Net cash used in financing activities</b>	<b>(734,157)</b>	<b>(719,368)</b>
<b>Net increase in cash and cash equivalents</b>	<b>487,817</b>	<b>2,483,256</b>
Cash and cash equivalents as at beginning of year	<u>2,823,634</u>	<u>340,378</u>
<b>Cash and cash equivalents as at end of year</b>	<u><b>3,311,451</b></u>	<u><b>2,823,634</b></u>
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>Cash on hand and at banks</b>	<u><b>3,311,451</b></u>	<u><b>2,823,634</b></u>

The accompanying notes are an integral part of these financial statements.

### 1. General Information

The Securities Commission of The Bahamas (the Commission) was established in 1995 and operates as a body corporate, under the Securities Industry (Amendment) Act, 2019 (the Act), of the Commonwealth of The Bahamas (The Bahamas). The Act establishes the structure, governance and funding of the Commission; accordingly, the Commission is not deemed to have a parent. The offices of the Commission are located at Poinciana House, East Bay Street, Nassau, Bahamas.

The functions of the Commission are to monitor and regulate the securities industry in The Bahamas, the participants of which include: entities and individuals dealing in securities, arranging deals in securities, managing securities and advising on securities; investment funds; and investment fund administrators. The Commission regulates the industry in accordance with the Act; the Investments Funds (Amendment) Act, 2020; and the related rules and regulations.

In addition, the Commission has responsibility for regulating financial and corporate service providers in accordance with the Financial and Corporate Service Providers Act, 2020, and related regulations. The Commission also regulates digital asset business in accordance with the Digital Assets and Registered Exchanges (Amendment) Act, 2022.

### 2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying the Commission's accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.



# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2022

(Continued)

### 2. Significant Accounting Policies (Continued)

#### (b) Changes in applicable accounting policies

##### i) New standards, amendments and interpretations adopted by the Commission

Certain new accounting standards, amendments to accounting standards and interpretations to published standards that became effective for the Commission's financial year beginning on 1 January 2022 were not relevant or not significant to the Commission's operations and accordingly did not have a material impact on the Commission's accounting policies or financial statements.

##### ii) New standards and interpretations not yet adopted by the Commission

Certain new accounting standards, amendments and interpretations to existing accounting standards that have been published but are not mandatory for the year ending 31 December 2022 have not been early adopted by the Commission. These standards, amendments or interpretations are not expected to have a material impact on the Commission in the current or future reporting periods and on foreseeable future transactions.

#### (c) Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Commission's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognised in the statement of comprehensive income.

#### (d) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits with banks and term deposits with banks with original contractual maturities of three months or less from the date of acquisition.

## 2. Significant Accounting Policies (Continued)

### (e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i) Financial assets

##### *Classification*

The Commission classifies its financial assets, at initial recognition in the following measurement categories: at amortised cost and at fair value through other comprehensive income (FVOCI). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Commission's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Commission's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

##### *Financial assets at amortised cost*

The Commission measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2022

(Continued)

### 2. Significant Accounting Policies (Continued)

#### (e) Financial instruments (continued)

##### i) Financial assets (continued)

###### *Classification (continued)*

###### *Financial assets through FVOCI*

The Commission measures financial assets through FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Commission reclassifies financial assets when and only when its business model for managing those assets changes.

###### *Recognition and Derecognition*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular-way trades) are recognised on the trade date, which is the date that the Commission commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership. If the Commission has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Commission has retained control of the financial assets.

Gains or losses arising from sales of financial assets are recognised in the statement of comprehensive income as a part of net income in the financial period in which they arise.



## 2. Significant Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

##### *Measurement*

At initial recognition, the Commission measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in net income in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Commission's financial assets at amortised cost includes 'cash on hand and at banks', 'accounts receivable' and other receivables included in 'prepaid expenses and other assets' in the statement of financial position.

For financial assets at FVOCI, interest income and impairment losses or reversals are recognised in net income in the statement of comprehensive income. The remaining fair value changes are recognised in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change previously recognised in OCI is recycled to net income. Interest income from these financial assets is calculated using the effective interest rate method.

The Commission's financial assets at FVOCI includes 'investments in debt securities' in the statement of financial position.

## 2. Significant Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

##### *Impairment of financial assets*

The Commission recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and accounts receivable. For debt instruments, ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Commission expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in a three-stage model. The ECL model includes the use of forward-looking information and classification of financial assets in three stages as summarized below and further explained in Notes 4, 6 and 15:

- Stage 1 – 12-month ECL: represents the expected credit loss arising from default events possible within 12 months from the reporting date. This is applicable to financial assets that originated or were purchased without credit recovery issues and whose credit risk has not significantly increased since initial recognition;
- Stage 2 – Lifetime ECL: considers all possible default events over the expected life of a financial instrument. A loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of default. This is applicable to financial assets that originated or were purchased without credit recovery issues and whose credit risk has increased significantly since initial recognition; and
- Stage 3 – Lifetime ECL for credit-impaired assets: considers all possible default events over the expected life of a financial instrument. The measurement of assets classified in this stage is different from Stage 2 due to the recognition of interest income by applying the effective interest rate to the amortized cost (net of allowance for ECLs) rather than to the gross carrying amount.

## 2. Significant Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

##### *Impairment of financial assets (continued)*

A financial asset will migrate from a stage as its relative credit risk since initial recognition subsequently increases or decreases. Therefore, a financial asset that migrated to stages 2 and 3 may return to stage 1, unless it was originated or purchased with credit recovery issues.

Management determined that a significant increase in credit risk would result from, amongst others, a financial asset's credit rating migrating from investment grade to non-investment grade, and deterioration of credit ratings applicable to non-investment grade financial assets.

For accounts receivable, the Commission applies a simplified approach in calculating ECLs. Therefore, the Commission does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Commission has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the ECL is recognised in the statement of comprehensive income. If in a subsequent period the amount of the ECL decreases, the previously recognised ECL is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

The Commission writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The write offs represent a derecognition event. The uncollectible financial asset is written off against the related allowance account. Recoveries of accounts previously written off are recognised directly in the statement of comprehensive income.



## 2. Significant Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### ii) Financial liabilities

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Commission's financial liabilities comprise accounts payable and other liabilities.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

### (f) Property and equipment

Property and equipment are carried at historical cost, less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Furniture and fittings	3 – 5 years
Vehicles	3 – 5 years
Leasehold improvements	Lesser of lease term and 3 – 5 years

Assets' useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position or when an event has occurred that indicates a need to re-evaluate useful lives.

## 2. Significant Accounting Policies (Continued)

### (f) Property and equipment (continued)

Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the statement of comprehensive income.

### (g) Computer software

The Commission amortises intangible assets with a limited useful life such as computer software, using the straight-line method over a period of 3 years.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Commission are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### **(h) Income and expense recognition**

Fee income of the Commission is comprised of application fees, registration fees, annual renewal fees, filing fees and other administrative fees charged to its licensees. Revenue is recognised at a point in time upon the completion of the document evaluation process of each of the activities described above. There are no post-performance obligations after the completion of the document evaluation processes to which each fee relates. All licence fees are for fixed amounts.

Appropriations by Parliament (termed Government subvention) received to subsidise operating expenses and specific projects of the Commission, are deferred and recognised as income in the financial period in which any conditions attached to them has been satisfied and by reference to the financial period in which the Commission recognises as expenses the related costs that the Government subvention is intended to compensate. These amounts are presented gross in the statement of comprehensive income.

Government subvention, received to subsidise capital acquisitions, is recorded as deferred income and recognised as income over the useful lives of the applicable assets.

Interest income is recognised using the effective interest method. All other income and expenses are recognised on the accrual basis of accounting.

#### **(i) Employee benefits**

The Commission has a defined contribution pension plan for all eligible employees, whereby the Commission makes contributions to a privately administered pension plan. The Commission has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior years. The Commission's contributions to the defined contribution pension plan are recognised in the statement of comprehensive income in the financial period to which they relate.

Salaries, wages and other employee benefits are recognised on the accrual basis of accounting.

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2022

(Continued)

### 2. Significant Accounting Policies (Continued)

#### (j) Leases

The Commission leases a property for its office use and vehicles for its employee use. Lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the Commission.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Refer to Note 3 for how the Commission determines the lease term with extension and termination options.



# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2022

(Continued)

### 2. Significant Accounting Policies (Continued)

#### (j) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. Where that rate is not readily determined, which is the case for the Commission's lease, the Commission's incremental borrowing rate is used, being the rate the Commission would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Refer to Note 3 for how the Commission determines the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the interest expense in the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (k) Taxation

The Commission is established under the laws of The Bahamas and therefore is not subject to income, capital gains or other corporate taxes. The Commission's operations do not subject it to taxation in any other jurisdiction.

## 2. Significant Accounting Policies (Continued)

### (l) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year.

## 3. Critical Accounting Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The information presented below provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

### *Measurement of ECL allowance*

The measurement of the ECL allowance for financial assets measured at amortised cost and at FVOCI is an area that requires the use of a model and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of licensees defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the ECLs are further detailed in Note 15.

A number of significant judgements are also required in applying the accounting requirements for measuring the ECLs, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECLs;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECLs;
- Establishing groups of similar financial assets for the purposes of measuring the ECLs.

### 3. Critical Accounting Estimates and Assumptions (Continued)

#### *Leases – lease term and incremental borrowing rate*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Commission cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Commission would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Commission ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Commission estimates the IBR using observable inputs (such as market interest rates or internal) when available and is required to make certain entity-specific adjustments.

Detailed information about the judgements and estimates made by the Commission in the above areas is set out in Notes 5, 6 and 15.

### 4. Investments in Debt Securities

The Commission ranks its investments in debt securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Commission’s market assumptions. The Commission considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The determination of what constitutes ‘observable’ requires significant judgment by the Commission. These two types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 4. Investments in Debt Securities (Continued)

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Commission considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset.

The fair value of financial instruments traded in active markets is based on quoted market prices as of the reporting date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.



## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 4. Investments in Debt Securities (Continued)

Investments in debt securities are as follows:

	2022 \$	2021 \$
<u>Stage 2 - ECL</u>		
<i>Level 2</i>		
Debt securities at FVOCI	8,525,808	7,802,180
Accrued interest	<u>110,330</u>	<u>101,288</u>
<b>Total investments in debt securities</b>	<b><u>8,636,138</u></b>	<b><u>7,903,468</u></b>

#### *Bahamas Government Registered Stock*

		2022		2021	
Maturity Date	Interest Rate	Nominal Value	Fair Value \$	Nominal Value	Fair Value \$
29-Oct-22	3.10%	-	-	2,000,000	2,002,424
30-Mar-23	3.15%	2,141,800	2,145,575	-	-
31-May-23	3.15%	566,800	567,799	-	-
25-Jul-25	4.40%	3,000,000	3,060,730	3,000,000	3,056,137
15-Oct-38	5.00%	1,000,000	919,503	1,000,000	917,885
21-Apr-40	5.30%	425,900	399,137	425,900	397,733
21-Apr-50	5.69%	1,574,100	1,433,064	1,574,100	1,428,001
<b>Total investments in debt securities at FVOCI</b>			<b><u>8,525,808</u></b>		<b><u>7,802,180</u></b>

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 5. Leases

The Commission entered into a non-cancellable operating lease agreement for a fixed period of five years with Poinciana SPV Ltd., commencing 1 January 2019, with an option to renew for three years, which was assessed as reasonably certain to be exercised. The Commission also leases vehicles for employee use.

The statement of financial position shows the following amounts:

	2022	2021
	\$	\$
<b>Right-of-use assets</b>		
Office space	2,331,392	2,914,240
Vehicles	27,899	-
	<u>2,359,291</u>	<u>2,914,240</u>

For the year ended 31 December 2022, there were no direct costs incurred by the Commission upon entering a lease.

	2022	2021
	\$	\$
<b>Lease liabilities</b>		
Current	601,200	550,759
Non-current	2,163,916	2,736,772
	<u>2,765,116</u>	<u>3,287,531</u>

The IBRs applied to the lease liabilities of the office space and vehicles are 5.5% and 6.5%, respectively. Common area maintenance and other additional rent charges not included in the measurement of lease liabilities are presented under 'Rent' in the statement of comprehensive income.

The statement of comprehensive income shows the following amounts:

	2022	2021
	\$	\$
Depreciation on right-of-use assets	598,493	602,305
Interest expense on lease liabilities	168,199	196,234
	<u>766,692</u>	<u>798,539</u>

The total cash outflow for leases in 2022 was \$734,157 (2021: \$719,368).

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 6. Accounts Receivable

	2022 \$	2021 \$
Investment funds and investment fund administrators	21,703	80,666
Financial and corporate service providers	111,775	399,790
Securities industry licensees and registrants	104,462	455,078
Other	<u>2,706,962</u>	<u>92,769</u>
	2,944,902	1,028,303
Allowance for expected credit losses	<u>(192,609)</u>	<u>(366,501)</u>
<b>Total accounts receivable, net</b>	<b><u>2,752,293</u></b>	<b><u>661,802</u></b>

Movements in the allowance for expected credit losses comprise:

	2022 \$	2021 \$
As at 1 January	366,501	227,252
(Recovery of)/provision for expected credit losses	(173,892)	194,249
Bad debts written off	<u>-</u>	<u>(55,000)</u>
<b>As at 31 December</b>	<b><u>192,609</u></b>	<b><u>366,501</u></b>

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2022

(Continued)

### 6. Accounts Receivable (Continued)

The allowance for expected credit losses as at 31 December was determined as follows for accounts receivable:

As at 31 December 2022	0 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount	2,697,997	3,558	-	93,580	149,767	2,944,902
Allowance for expected credit losses	114	2,069	-	64,033	126,393	192,609

As at 31 December 2021	0 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 360 days	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount	403,078	28,950	227,101	224,625	144,549	1,028,303
Allowance for expected credit losses	61,236	10,893	93,636	123,106	77,630	366,501

On 12 November 2022, the Commission in their capacity as regulator was ordered by the Supreme Court of The Bahamas (SC) to transfer all of the digital assets on the FTX.com platform within the possession, custody and/or under the control of FTX Digital Markets Ltd (FDM), its officers, directors, employees and/or agents, including any digital assets held upon trust by FDM, on the grounds that such action was necessary to protect the interests of clients and creditors of FDM and otherwise in the public interest to do so. The SC further stipulated the Commission shall be regarded as acting as trustee in the administration of these digital trust assets within the meaning of the Trustee Act Ch.176 (The Act) for the benefit of the clients and/or creditors of FDM, pending direction from the SC for the continued safe custody of said assets. As these digital assets are held in trust and are not the assets of the Commission, they have not been recorded on the statement of financial position of the Commission in consideration of IFRS and the laws of The Bahamas.

On 22 November 2022, a SC order clarified that the Commission is entitled to be indemnified as a trustee under The Act for any actions taken in good faith such as securing the digital assets of FDM in accordance with the court order of the SC. The SC order on 22 November 2022, also clarified that the Commission is to be reimbursed with respect to the expenses, costs and charges reasonably incurred as a result of securing the digital assets of FDM with prior approval by the SC. As of December 31, 2022, the Commission has incurred \$3,148,195 in relation to the actions taken on behalf of the customers and creditors of FDM for which it will seek reimbursement of \$2,985,801, out of funds posted as security for FDM's licensure and has recorded a receivable of \$2,566,080 within the statement of financial position.



## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 7. Investment in SPV

In September 2017, the Commission agreed to hold 100% of the shares of Poinciana SPV Ltd. (a special purpose vehicle (SPV) incorporated in The Bahamas) on behalf of the Government of The Bahamas (the Government). The Commission's holding of the shares of Poinciana SPV Ltd. is expected to be temporary.

The Commission evaluated if it controls or exerts significant influence over Poinciana SPV Ltd. based on the guidance in IFRS 10 - *Consolidated financial statements* and IAS 28 - *Investments in associates and joint ventures* respectively and concluded that it does not have controlling power or significant influence over Poinciana SPV Ltd. (See Note 13 for further information).

There were no movements in the investment in the SPV in 2022 and 2021.

Poinciana SPV Ltd. owns real estate located on East Bay Street, Nassau, Bahamas which is comprised of land and two Class A office buildings known as the Poinciana House North and South.

The following table summarizes the unaudited financial information of Poinciana SPV Ltd. as at and for the year ended 31 December. The prior year corresponding figures have been amended to reflect reclassifications and ECL allowances.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 7. Investment in SPV (Continued)

Summary Statement of Financial Position	2022	2021
	\$	\$
Current assets	2,157,244	2,243,077
Investment property	19,095,874	19,915,454
<b>Total assets</b>	<b>21,253,118</b>	<b>22,158,531</b>
Current liabilities	721,120	1,058,542
Borrowings	12,962,500	13,812,500
<b>Total liabilities</b>	<b>13,683,620</b>	<b>14,871,042</b>
Share capital	2	2
Contributed capital	9,568,603	9,568,603
Accumulated deficit	(1,999,107)	(2,281,116)
<b>Total equity</b>	<b>7,569,498</b>	<b>7,287,489</b>
<b>Total liabilities and equity</b>	<b>21,253,118</b>	<b>21,458,736</b>
Summary Statement of Comprehensive Income	2022	2021
	\$	\$
Total income	2,124,782	2,588,808
Total expenses	(1,842,773)	(2,137,372)
<b>Net comprehensive income</b>	<b>282,009</b>	<b>451,436</b>

# Securities Commission of The Bahamas

## Notes to the Financial Statements 31 December 2022 (Continued)

### 8. Property and Equipment

For the year ended 31 December 2022	Computer Equipment \$	Furniture and Fittings \$	Leasehold Improvements \$	Art Work \$	Total \$
<b>Cost</b>					
1 January 2022	2,651,577	761,075	57,163	24,864	3,494,679
Additions	31,597	444	-	4,314	36,355
Disposals	-	-	-	-	-
<b>31 December 2022</b>	<b>2,683,174</b>	<b>761,519</b>	<b>57,163</b>	<b>29,178</b>	<b>3,531,034</b>
<b>Accumulated depreciation</b>					
1 January 2022	2,113,247	464,164	34,299	-	2,611,710
Depreciation expense	266,847	153,537	11,433	-	431,817
Disposals	-	-	-	-	-
<b>31 December 2022</b>	<b>2,380,094</b>	<b>617,701</b>	<b>45,732</b>	<b>-</b>	<b>3,043,527</b>
<b>Net book value as at 31 December 2022</b>	<b>303,080</b>	<b>143,818</b>	<b>11,431</b>	<b>29,178</b>	<b>487,507</b>
<b>For the year ended 31 December 2022</b>					
<b>Cost</b>					
1 January 2021	2,126,025	759,589	57,163	22,864	2,965,641
Additions	525,552	1,486	-	2,000	529,038
Disposals	-	-	-	-	-
<b>31 December 2021</b>	<b>2,651,577</b>	<b>761,075</b>	<b>57,163</b>	<b>24,864</b>	<b>3,494,679</b>
<b>Accumulated depreciation</b>					
1 January 2021	1,861,931	310,450	22,866	-	2,195,247
Depreciation expense	251,316	153,715	11,433	-	416,464
Disposals	-	-	-	-	-
<b>31 December 2021</b>	<b>2,113,247</b>	<b>464,165</b>	<b>34,299</b>	<b>-</b>	<b>2,611,711</b>
<b>Net book value as at 31 December 2021</b>	<b>538,330</b>	<b>296,910</b>	<b>22,864</b>	<b>24,864</b>	<b>882,968</b>

## Securities Commission of The Bahamas

### Notes to the Financial Statements 31 December 2022 (Continued)

#### 9. Computer Software

Computer software comprises:

	Total \$
<b>Cost</b>	
Balance as at 1 January 2022	-
Additions	538,017
<b>Balance as at 31 December 2022</b>	<b>538,017</b>
<b>Accumulated amortization</b>	
Balance as at 1 January 2022	-
Amortisation expense	-
<b>Balance as at 31 December 2022</b>	<b>-</b>
<b>Net book value as at 31 December 2022</b>	<b>538,017</b>
<b>Cost</b>	
Balance as at 1 January 2021	-
Additions	-
<b>Balance as at 31 December 2021</b>	<b>-</b>
<b>Accumulated amortisation</b>	
Balance as at 1 January 2021	-
Amortisation expense	-
<b>Balance as at 31 December 2021</b>	<b>-</b>
<b>Net book value as at 31 December 2021</b>	<b>-</b>

During 2022, the Commission capitalized computer software costs of \$538,017 in relation to the development of a data warehouse system. As at 31 December 2022 the system is still in the initial design and testing phases, as such, no amortisation expense was recognized during the year.



## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 10. Deferred Income

	2022 \$	2021 \$
Government subvention	4,000,000	2,000,000
Securities industry licensee and registrant fees	86,750	9,932
Financial and corporate service provider fees	23,332	22,075
<b>Total deferred income</b>	<b>4,110,082</b>	<b>2,032,007</b>

All deferred income is eligible to be recognised in the following year in the statement of comprehensive income.

Movements in Government subvention comprise:

	2022 \$	2021 \$
As at 1 January	2,000,000	678,065
Government subvention received	2,000,000	2,000,000
Government subvention utilized – transfer to reserve fund	-	(170,000)
Government subvention utilised – transfer to Consolidated fund	-	(508,065)
<b>As at 31 December</b>	<b>4,000,000</b>	<b>2,000,000</b>

#### 11. Reserves

##### *Revaluation reserve*

The Commission's investments in debt securities are measured at FVOCI, as explained in note 2(e)(i). Changes in fair value of these investments are accumulated within the revaluation reserve within equity. The accumulated changes in fair value are transferred to net income when the investment is derecognised or impaired.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 11. Reserves (continued)

##### *Reserve fund*

Upon obtaining approval from the Ministry of Finance, the Commission established a reserve fund on 30 April 2018 in accordance with Section 20(2) of the Act. Section 21(1) of the Act enables the Commission to determine the management of the fund. This reserve fund will be used for the Commission's development with the approval of its members. During the year, the Minister of Finance approved an addition of \$Nil (2021: \$170,000) to the reserve fund. The reserve fund as at 31 December 2022 totaled \$4,170,000 (2021:\$4,170,000).

##### *Special purpose reserve*

Section 22(3) of the Act requires that administrative fines levied by the Commission be used for the sole purpose of promoting public understanding of the financial system. Accordingly, the Commission established a special purpose reserve for this purpose. The special purpose reserve as of the year end, net of provision for ECLs is shown below:

	2022 \$	2021 \$
Balance of the special purpose reserve, gross	120,000	120,000
Provision for ECLs	<u>-</u>	<u>-</u>
<b>Balance of the special purpose reserve, net</b>	<b><u>120,000</u></b>	<b><u>120,000</u></b>

#### 12. Employee Benefits

Pension costs recognised in the statement of comprehensive income in the current year totaled \$371,369 (2021: \$367,315). The Commission's contributions to the pension plan vest 100% with employees upon completion of 5 years of employment.

During the year, the Commission received reimbursements totaling \$19,521 (2021: \$7,354) representing the unvested portion of pension contributions relating to former employees of the Commission. The unvested contributions were credited to salaries, wages and employee benefits in the statement of comprehensive income.

As of 31 December 2022, the Commission employed 89 (2021: 91) persons.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 13. Related Party Balances and Transactions

Related parties comprise: i) Government ministries and departments; ii) Government corporations and agencies; iii) entities controlled by the Government; iv) entities in which the Government has a significant ownership interest; and v) key management personnel, including members of the Commission. Balances and transactions with related parties, not otherwise disclosed in the financial statements, include:

	2022	2021
	\$	\$
<i>Assets</i>		
Cash at banks	2,030,273	846,634
Accounts receivable	34,375	11,000
Prepaid expenses and other assets	1,260	1,260
Investments in debt securities	8,636,138	7,903,468
Right-of-use assets – SPV	2,331,392	2,914,240
<i>Liabilities</i>		
Accounts payable and accrued expenses	6,750	3,119
Other liabilities - due to the Compliance Commission	25,762	289,991
Lease liabilities – SPV	2,765,116	3,287,526
<i>Income</i>		
Interest income	410,943	308,358
Other income	92,400	92,400
<i>Expenses</i>		
Depreciation on right-of-use assets - SPV	582,848	582,848
Interest expense on lease liabilities - SPV	166,982	195,841
Utilities and property charges	61,121	51,965

Compensation of key management personnel for the year ended 31 December 2022 comprised \$738,880 (2021: \$667,823) for salaries and other short-term benefits and \$40,184 (2021: \$30,240) for pension benefits.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 14. Commitments and Contingencies

##### *Other commitments*

During 2015, the Commission acted as executing agent on behalf of the Government in relation to a purchase agreement for land and buildings. Initial funding was provided by the Government. During 2016, the Ministry of Finance (the Ministry) decided to acquire that land and buildings through Poinciana SPV Ltd., the special purpose vehicle referred to in Note 7. The Ministry subsequently decided that the Commission would hold the shares of Poinciana SPV Ltd. The Commission expects that the holding of shares of Poinciana SPV Ltd. will be temporary.

##### *Contingencies*

The Commission is a defendant in several legal proceedings and would be liable for claims and legal costs in the event of an adverse finding by the courts. However, it is not possible to either predict the decision of the courts or estimate the amount of such awards. Management does not expect that the resolution of these matters will have a material impact on the Commission's financial position and accordingly, no provisions have been made in these financial statements relative to the legal proceedings.

#### 15. Financial Risk Management

The Commission engages in transactions that expose it to credit risk, liquidity risk and interest rate risk in the normal course of business. The Commission's financial performance is affected by its capability to understand and effectively manage these risks.

##### **(a) Credit risk**

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Commission's exposure to credit risk is concentrated in its cash at banks, accounts receivable, other receivables included in prepaid expenses and other assets and investments in debt securities. The Commission mitigates the risk



## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 15. Financial Risk Management (Continued)

##### (a) Credit risk (continued)

associated with cash at banks by placing its deposits with domestic financial institutions in good standing with the Central Bank of The Bahamas, including a related party. The risk associated with accounts receivable is mitigated by the monitoring of payment history before continuing to extend credit to licensees. Transactions in securities are conducted with brokers in good standing with the Commission. The investment in debt securities consists of debt securities issued by the Government which were downgraded to non-investment grade credit ratings during the prior year, indicating a significant increase in credit risk. As a result, the investment securities were reclassified from stage 1 to stage 2, where a lifetime expected credit loss is recognised, for the purpose of assessing ECLs. The Government of the Bahamas was further downgraded in October 2022.

##### *Impairment*

The Commission has assessed the ECL for cash at banks, investments in debt securities and other receivables included in prepaid expenses and other assets. The identified impairment losses based on the credit quality of the counterparties were determined to be immaterial and are not recorded in these financial statements.

##### Accounts Receivable

The Commission applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.

To measure the ECLs, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The Commission has therefore, concluded that the expected loss rates for accounts receivable are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of licensing fees over a period of 36 months before 31 December 2022 (2021: 24 months before 31 December 2021) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Commission has identified the Gross Domestic Product (GDP) of The Bahamas to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor. See Note 6 for the aged analysis of accounts receivable.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2022

(Continued)

#### 15. Financial Risk Management (Continued)

##### (b) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Commission's financial commitments as they become due.

As of 31 December 2022, all of the Commission's accounts payable and accrued expenses and other liabilities are due within one year.

##### (c) Interest rate risk

Interest rate risk is the risk that the future cash flows or fair values of financial instruments will fluctuate because of changes in market interest rates. The Commission's exposure to cash flow interest rate risk is concentrated in cash at banks, which is not considered significant as amounts earned on these balances are minimal.

The Commission is exposed to fair value interest rate risk on its Bahamas Government Registered Stock (BGRS) investments, which are at fixed interest rates.

#### 16. Fair Value of Financial Instruments

Financial instruments utilised by the Commission include the recorded financial assets and liabilities disclosed in the financial statements. Their estimated fair values approximate their carrying values due to the relatively short-term nature of the instruments or the instruments being carried at fair value.

The fair value hierarchy of financial instruments is principally Level 2.

#### 17. Capital Management

The capital of the Commission is represented by its net assets. The Commission's objectives when managing capital are to safeguard its ability to continue as a going concern in order to support its regulatory powers and associated operations.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

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(Continued)

#### 18. Subsequent Events

Subsequent to 31 December 2022:

- i) The Commission received subvention of \$2,000,000, to be utilised by the Commission for its general operations and capital expenditure.
  
- ii) The Commission incurred expenses of \$3,148,195 related to ongoing licensee liquidation proceedings of which recovery of \$2,985,801 was sought. Of this amount, \$2,566,080 was recorded as a receivable for reimbursement of those expenses for the year ended 31 December 2022 based on management's estimate of the highly probable amount to be recovered (see Note 6). The Commission subsequently received a Supreme Court Order confirming full reimbursement of those expenses sought and the variable consideration amount of \$419,721 was not recorded as of 31 December 2022 related to these ongoing licensee liquidation proceedings and will be recognised in 2023.

The photography contained within this report highlights the natural beauty of The Bahamas found throughout the country's 32 national parks administered by the Bahamas National Trust.

The **Bahamas National Trust (BNT)** was established in 1959 by an Act of Parliament. The BNT is a non profit, non governmental organization dedicated to managing our national parks to conserve and protect Bahamian natural resources.

The 60-plus-year history of the BNT includes conservation successes such as saving the West Indian Flamingo and Bahama Parrot from extinction; and the creation of the world's first land and sea park in The Exuma Cays. The BNT relies on the support of members, donors, and sponsors to accomplish it's mission. To learn more about the BNT, and how you can support it's work visit their website. **[www.bnt.bs](http://www.bnt.bs)**





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