

# ANNUAL REPORT

2023







## 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

Post cards of The Bahamas may capture its scenic beauty, but they miss the symphony of songbirds that lays the perfect soundtrack for these islands.

Over 300 species of birds have been documented in The Bahamas. Of the resident birds, a number of species are found only in The Bahamas—some of them in fact only on specific islands within The Bahamas, such as the critically endangered Bahama Oriole, which is found on Andros island, and the Inagua Woodstar, a subspecies of the endemic Bahama Woodstar, which is found only on Great Inagua island and Little Inagua island. Many of the migrant birds nest in The Bahamas and spend more time here than anywhere else.

The West Indian Flamingo, featured on the cover, is the national bird of The Bahamas. The majestic avian was on the brink of extinction 40 years ago, but due to conservation efforts, The Bahamas is now home to the largest colony of breeding West Indian Flamingos in the world, with approximately 60,000 birds at the Inagua National Park alone, and colonies now repopulating other areas of The Bahamas, as well as other countries in the region.

For the 2023 annual report, we are pleased to celebrate our birds, those returning year after year, those nesting for a season, those found here and nowhere else! Together they contribute to a melodic and beautiful archipelago that is one of the most bird diverse countries in the Caribbean.

Source: Bahamas National Trust, <https://bnt.bs/virtual-learning-center-birds-of-the-bahamas/>;  
National Audubon Society, <https://www.audubon.org/our-work/americas/bahamas/bahamas>;  
Bahamas Ministry of Tourism, Inagua National Park - The Official Website of The Bahamas;



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PO Box N-8347  
Nassau, The Bahamas

30 June 2024

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 2023. 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

The reporting year 2023 represents the first complete fiscal and calendar year that I have served as the Chairman of the Securities Commission of The Bahamas. This report shines a spotlight on many of the Commission's accomplishments in advancing its mission to protect investors and consumers, promote sound regulatory practices, and facilitate sustainable economic growth and development.

The Commission's oversight responsibilities and regulatory mandate collectively sweep a broad section of The Bahamas' financial services industry, impacting local and international operations and their clients. These include securities, investment funds, and the capital markets pursuant to the Securities Industry Act and the Investment Funds Act, non-bank financial and corporate service providers pursuant to the Financial and Corporate Service Providers Act, digital assets and digital asset businesses including exchanges pursuant to the Digital Assets and Registered Exchanges (DARE) Act, and the secondary-market trade of carbon credits pursuant to the Carbon Credits Trading Act.

Globally, 2023 was marked by increasing inflation, heightened geopolitical risk, more extreme climate events, the continued rise of artificial intelligence, and increased cybersecurity threats. Nevertheless, building on the solid foundation that has been laid over its 29-year history, I am pleased to report that the Commission advanced important elements of its four-year (2021-2024) strategic plan. These include revising pertinent laws and rules, updating technology and cybersecurity, reworking the CoRI filings portal to increase ease of doing business with the Commission, and continuing to build capacity in the Commission, through local and international training and exposure opportunities.

One highlight for the Commission was hosting the D3 Bahamas Web3 and FinTech Conference in October 2023. The event drew a global cohort of over 850 attendees and facilitated over 80 industry expert speakers. The conference provided a blend of fintech and digital asset expertise, insight into digital assets regulatory developments and hospitality that The Bahamas uniquely can offer.



The D3 Bahamas Conference was an excellent venue to reinforce the jurisdiction's commitment to digital asset regulatory leadership and discuss the pragmatic and innovative changes proposed to the regulatory framework. This commitment includes initiatives to build local capacity in fintech. The Commission announced a landmark tripartite partnership between the University of Cambridge, the University of The Bahamas and the Commission at the conference to offer a certificate program for the University of Cambridge's fintech regulatory innovation program, which incorporates Bahamian legislation and case-studies.

The Government of The Bahamas contributed to the success of the D3 conference, with appearances and presentations from Prime Minister the Hon Philip Davis, KC and Attorney General and Minister of Legal Affairs, Senator the Hon L Ryan Pinder, KC. The event was also supported by Minister of Economic Affairs, Senator the Hon Michael Halkitis. I thank the Government for its continued support of the work of the Commission to advance world-class financial regulation, not only in the digital asset space, but across the gamut of the Commission's regulatory mandate.

The Commission continued to increase its engagement with the work of international standards setters, including IOSCO, during 2023. I was pleased to represent the Commission, along with the executive director and the senior legal counsel, at IOSCO's 48th Annual Meeting in Bangkok, Thailand. The meeting facilitated discourse on IOSCO's work on the timely issues of crypto assets, sustainable finance and financial stability, among other things. Importantly, it provided an excellent opportunity to build relationships with the leaders of securities regulatory bodies from across the globe in formal settings and on the sidelines.

The spirit and application of the principles of cooperation and inclusivity among securities regulators remain tenets of effective capital markets regulation. The Commission's commitment to active participation as decisions are made affecting the regulation of our capital markets, registrants and licensees continued to be evident in 2023. This was seen in the leadership provided by our executive director, Christina Rolle, as vice-chair of IOSCO's Inter-American Regional Committee and through the Commission's active engagement on other IOSCO committees and task forces. This includes participation in workstreams and at various levels of leadership and decision making, which are addressed in greater detail in this report.

The Commission continued to provide the highest levels of training opportunities to its staff to enhance their knowledge and skills in 2023, in areas specific to regulation as well as for operations and administration.



**The D3 Bahamas Conference was an excellent venue to reinforce the jurisdiction's commitment to digital asset regulatory leadership and discuss the pragmatic and innovative changes proposed to the regulatory framework.**

These included training through the prestigious Wharton Executive Education Securities Industry Institute program; the IOSCO, Program on International Financial Systems/Harvard Law School Global Certificate Program; and other programs of the highest calibre offered by world-leading institutions.

This report encompasses advancements to the legislative and regulatory framework; supervision and enforcement activity; and operational improvements of the 2023 reporting year, among other achievements. These were the product of the highest levels of leadership from the board and management, keen focus on human resource capacity, sound leverage of technology, active engagement with the local and international regulatory community and stakeholders, and the commitment and skill of the Commission's staff. These factors will allow the Commission to continue to provide financial services regulatory excellence and leadership into the future.



# 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 31 December 2023**

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, KC	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

## 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 2023, the Board held **11** regular meetings. There were **3** Audit Committee meetings, and **1** Human Resources Committee meeting.

No exceptional matters occurred in relation to the Board from a governance or structural perspective during the 2023 period.



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



## 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.

**Table 2: Audit Committee members as at 31 December 2023**

Phaedra Mackey	Chair
Peter T Carey	Member
Christina Rolle	Member
Bede Sands	Member

The AC held 3 meetings during 2023. 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 the Internal Audit Department.



### Human Resources Committee

The Human Resources 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.

**Table 3:** Human Resources Committee members as at 31 December 2023

Michael Paton	Chair
Jerome Gomez	Member
Luther McDonald, KC	Member
Christina Rolle	Member

The HRC held **1** meeting during 2023. Mechelle Martinborough attended in her capacity as Board Secretary, and Bernadette Gibson, Human Resources Senior Manager, attended as a management representative.



# Strategic Plan 2021-2024

## Progress Report 2023

In its third year of directing the organization's operations, the Commission's Strategic Plan 2021-2024 (the Plan) is nearing completion. With the overarching theme: Strengthening Operations and Embracing Disruptions in the Financial Services Industry, the Plan identifies four strategic objectives. Each objective comprises a set of three priorities established for the Commission over the course of the Plan. These priority areas are guided by identified actionable initiatives which serve to monitor the Commission's progress and performance.

## Strategic Priorities

During 2023, the Commission placed extensive emphasis on its priorities to:

- Optimize performance and enhance controls;
- Increase operational resilience capabilities; and
- Enhance the regulatory framework.

Significant work was undertaken to conclude previously started initiatives and to substantially advance new initiatives to ensure successful completion of the Plan in 2024. Key among these were the automation of critical internal processes, upgrades to IT systems, development and implementation of an information security framework and enhanced capabilities of the

Commission's Compliance and Regulatory Interface (CoRI) to facilitate an automated application process for registrants and licensees. Additionally, the Commission was able to see the implementation of an internal audit function and the staffing of that department. While some work remains to conclude these initiatives, the Commission expects these will be successfully completed during the Plan's final year.

Work to enhance the regulatory framework was also undertaken during the year. Slated to be completed in 2024 are finalization of a number of legislative initiatives including:

- Overhaul of the Securities Industry Act, 2011; and
- Drafting of the Capital Markets White Paper to examine and provide recommendations to improve the capital markets.

In the final year of the Plan, the Commission will continue its momentum with specific focus on initiatives assigned to the following priorities:

- Improve tools of engagement with market participants and stakeholders;
- Focus on investor and consumer interests; and
- Improve organizational capacity.

# Strategic Plan 2021-2024

## Objectives & Priorities

### Objective 1

#### Enhance operational capabilities and performance

The Commission will effectively modernize its operational systems, processes and procedures, and enhance operational capabilities and performance.

##### Priorities:

1. Optimize performance and enhance controls
2. Increase operational resilience capabilities
3. Improve organizational capacity

### Objective 2

#### Improve regulatory tools

The Commission remains committed to sustaining a robust regulatory framework and will ensure that its regulatory capacity also continues to evolve.

##### Priorities:

1. Enhance the regulatory framework
2. Improve tools of engagement with market participants and stakeholders.
3. Focus on investor and consumer interests

### Objective 3

#### Support data driven decisions and accountability

The Commission will invest in the technology required to facilitate its data management system in a way that brings benefit to the Commission's operations and increase data collection and analysis capacity.

##### Priorities:

1. Enhance the level and quality of data collection
2. Invest in data monitoring and analysis tools
3. Develop and issue statistical reports

### Objective 4

#### Safeguard knowledge assets

The Commission will employ a strategic to contribute to the preservation of its organizational knowledge.

##### Priorities:

1. Develop a talent management strategy
2. Document and archive the history of the Commission
3. Develop a library of case studies and templates





# EXECUTIVE DIRECTOR'S REMARKS

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## CHRISTINA R ROLLE Executive Director

In 2023, the Securities Commission of The Bahamas focused on its continued development of legislation to meet global standards and maintain the jurisdiction's reputation for regulatory excellence. The year reinforced the need to remain agile, yet steadfast in our regulatory vision and approach.

I would like to thank the Board of Directors, the staff of the Commission, and others who have assisted in our work. The Commission is fortunate to have employees of stellar talent, who continue to perform their duties in pursuit of excellence.

### Legislative Overview

The Commission's dedication to excellence included, among other things, initiatives to improve the regulatory framework advanced in 2023 particularly amendments that culminated in the Digital Assets and Registered Exchanges (DARE) Bill, 2023, the Securities Industry (SI) Bill, 2023, and ongoing proposed amendments to the Investment Funds Act, 2019.

The Commission progressed amendments to the DARE Act, 2020 and released the DARE Bill, 2023 for public consultation at the end of April. As the amendments were significant, it was determined that the implementation of the new Act would require a repeal of DARE 2020. The redrafted legislation placed consumer and investor protections at the forefront. The team at the Commission, working alongside Hogan Lovells out of the United Kingdom, was conscientious in ensuring that The Bahamas continues to meet international standards and best practices. Considerable effort was spent to review the many consultation responses and ensure the final Bill presented to Cabinet was modern and competitive, including developing perhaps the most progressive staking regime in the world, and proposing a comprehensive framework for stablecoins.

Similarly, for the SI Bill, 2023 we ensured the framework was robust for governing registrants and licensees, and compliant with global standards. The proposed revised legislation improves the management of systemic risks, enhances the Commission's enforcement framework—particularly our ability to apply sanctions for administrative infractions without a hearing—and provides tipping off provisions for registrants. It also introduces a framework for derivatives. The SI Bill, 2023 was published for public for consultation on 29 December 2023.

The Commission also commenced overhauling the Investment Funds Act, 2019. At year-end, the Commission was in the process of conducting a comprehensive review of the draft Bill, with the aim of finalizing it for public consultation in 2024. Among the issues the new framework must address are legislative gaps and ambiguities, while also ensuring that the investment funds legislation is up-to-date and remains compliant with international standards.

## **AML/CFT/CPF Breaches**

During the year, the Commission focused on gaining a deeper understanding of the nature of AML/CFT/CPF deficiencies observed in on-site examinations statistics. Year-over-year trends indicate rising and persistent breaches among our constituents. As a result, the Commission is conducting a thorough review of registrant and licensee AML/CFT/CPF procedures and practices and will commence enforcement of financial penalties for cited breaches. We will continue to carefully monitor these failures and will require appropriate remediation. The Commission has moved to ensure it is able to act swiftly through proposed changes to the SIA legislation.

## **Enforcement Actions**

The Commission emerged resilient and resolute in 2023 after having our enforcement powers tested by the collapse of FTX in late 2022. It is imperative that we continue to protect the markets from abuse while demonstrating our commitment and honoring our responsibility to the investing public.

Through supervisory review, the Commission determined in early 2023 that the equity crowdfunding platform ArawakX exhibited irregularities in its corporate governance. In September, the Commission petitioned for the provisional liquidation of ArawakX, and was granted approval in November 2023. While this was an unfortunate turn of events for the development of the domestic capital markets, ensuring their integrity is necessary for both the protection of investors as well as the stimulation of entrepreneurial activities.



**As 2023 came to a close, the Commission had positioned itself to undertake our slated initiatives for 2024, most of which focus on maintaining our regulatory excellence.**

## **D3 Bahamas Conference and University of Cambridge collaboration**

The D3 Bahamas Web3 and FinTech Conference (D3 Bahamas), hosted in partnership with the Government of The Bahamas in October, enhanced the country's reputation as a forward-looking jurisdiction. D3 Bahamas gave the Commission the opportunity to demonstrate the strength of our digital assets legislation, and showcase the proposed amendments in the DARE Bill, 2023.

Capacity building for personnel in financial services is essential for making The Bahamas a highly skilled jurisdiction. In this regard, the Commission has funded an exclusive five-year licensing agreement to offer the University of Cambridge's proprietary fintech and regulatory innovation program at the University of The Bahamas. This collaboration aligns with the Commission's strategy to ensure proficiency in digital assets by promoting sector-specific education opportunities. The official signing on the opening day of D3 Bahamas was a culmination of a year-long negotiation. We were pleased to have the UK High Commissioner to The Bahamas, Cambridge program directors, as well as the chair of UB's Board of Trustees and provost in attendance.



## International standards-setting bodies

Collaboration with international standards-setting bodies as well as regulatory colleagues is essential for the development of regulatory excellence. As a member of the International Organization of Securities Commissions (IOSCO), the Commission has continued to demonstrate our commitment to the organization, and its objectives and principles are key components considered and incorporated when we determine regulatory policies for the Bahamian market. As a result of this commitment, the Commission has maintained its positions and involvement in several IOSCO committees and task forces and hosted three IOSCO committee meetings locally during the year.

The Commission also continuously ensures that its staff gain first-hand knowledge of the processes and practices of international standards-setting bodies through their assessment programs and training—several staff members have qualified as assessors for the Financial Action Task Force. These collaborations signify the Commission's commitment to developing competence within our staff as well as our commitment to the principles and work of FATF and other such organizations.

## Strategic Plan 2021-2024 and Operational Updates

The Commission continued enhancement of operational capabilities and performance in execution of its Strategic Plan 2021-2024. This resulted in the Commission launching significant operational projects and technological upgrades to expand our supervisory capabilities, and other operations.

During 2023, various elements of the Commission's digital transformation (Project Butterfly) were advanced. The Compliance and Regulatory Interface (CoRI) filings portal was revamped to be more user friendly. CoRI will be able to supply better user data and interact seamlessly with the updated technology of the project.

To further the Commission's objectives and ensure internally robust procedures, processes and methodologies, the Internal Audit Department (IAD) completed its first year. The department has direct reporting to the Audit Committee with functional reporting to the Executive Director. IAD analysed systems and performed risk assessments to determine their impact and how they align with the Commission's ability to achieve its regulatory and operational objectives. To this end, a framework has been established to guide the department.

## Conclusion

As 2023 came to a close, the Commission positioned itself to undertake our slated initiatives for 2024, most of which focus on enhancing our regulatory excellence. These include completion of the 2021-2024 strategic plan, the promulgation of new legislation, and the start of preparations for the upcoming celebration of our 30th anniversary.

I am pleased to present the Securities Commission of The Bahamas Annual Report 2023.



**CHRISTINA R ROLLE**  
Executive Director



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



**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



**GAWAÏNE WARD**  
Senior Manager  
Enforcement

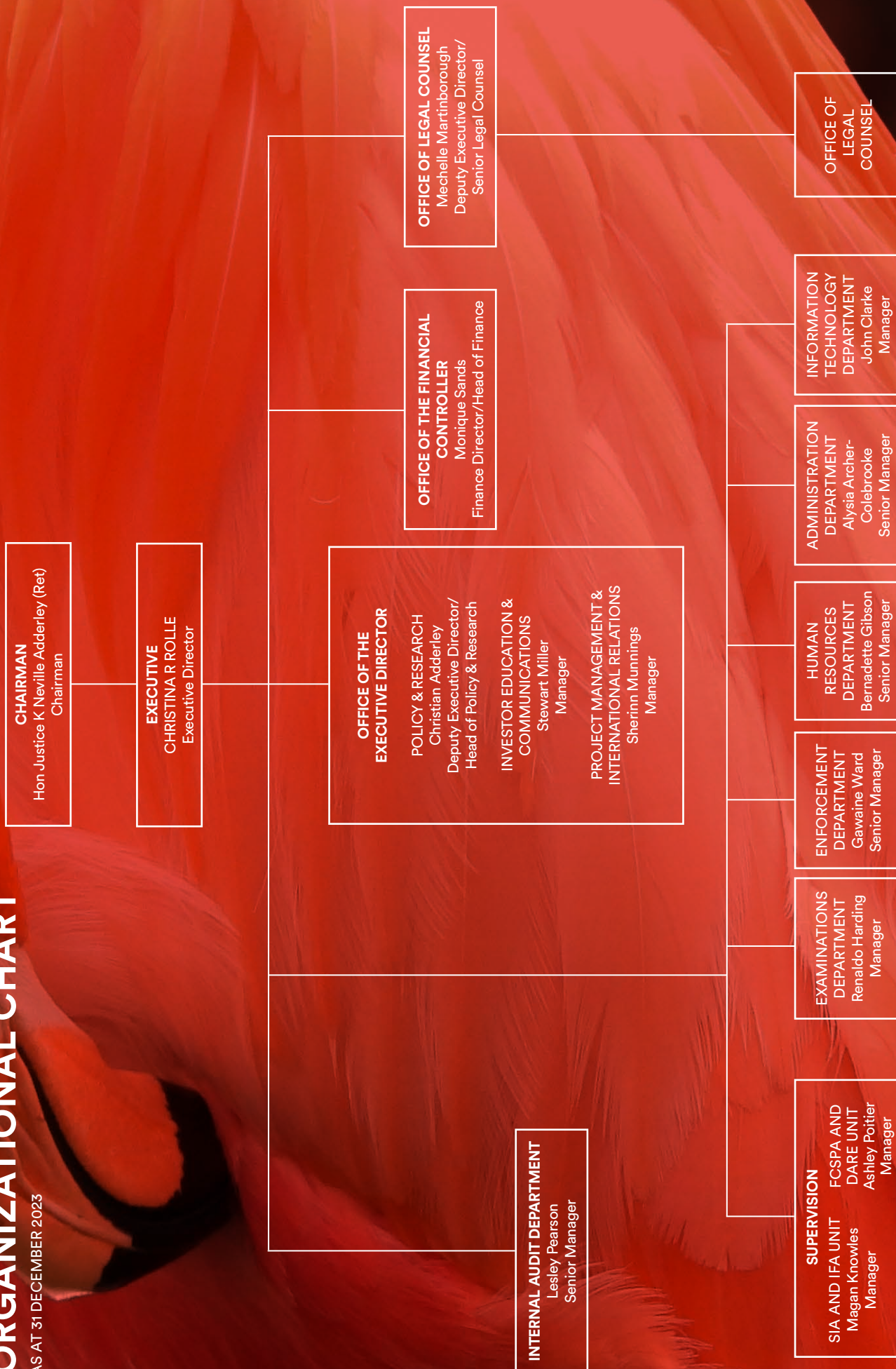
## MANAGEMENT TEAM

AS AT 31 DECEMBER 2023



# ORGANIZATIONAL CHART

AS AT 31 DECEMBER 2023





## Registrants and Licensees

As at 31 December 2023

- 177 SIA firms
- 455 SIA individuals
- 44 IFA investment fund administrators
- 659 IFA investment funds
- 292 Financial and corporate service providers
- 18 Digital asset businesses and exchanges



## IFA NAVs

As at 31 December 2023

**\$60.6 billion** net asset value of investment funds



## Examinations

- 39 routine
- 223 AML breaches
- 135 other breaches



## Penalties Assessed

**\$125,600** SIA firms  
**\$134,150** IFA funds and administrators



## Enforcement

- 4 new matters
- 5 public notices issued



## Legislative

- DARE Bill 2023  
Consultation 25 April 2023–31 May 2023
- Securities Industry Bill, 2023  
Consultation 29 December 2023–1 March 2024



## International Cooperation

- 1 request sent
- 11 requests received
- 19 requests closed
- 23 IOEAMA UNSC resolutions disseminated

# SCB

**BY THE NUMBERS**



# 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 and Research** 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. **Project Management and International Relations** is responsible for overseeing management of local and international stakeholder relationships; facilitating strategic planning; monitoring international standards setters, managing special projects and business ethics and compliance in the Commission. **Investor Education and Communications** is responsible for managing the Commission's investor education program and overseeing public relations and communication.

## 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. Supervision is currently structured as two units, each specializing in specific legislation, the **SIA and IFA Unit** and the **FCSPA and DARE Unit**. 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.

## Enforcement Department

The Enforcement Department (END) is responsible for enforcing the laws administered by the Commission.

The department investigates unregistered and unlicensed individuals and operations, coordinates the settlement of regulatory breaches by registered or licensed entities, and addresses criminal and civil court matters involving the Commission, among other things.

## 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.

## Office of Legal Counsel

The Office of Legal Counsel (OLC) provides legal advice to the Commission. OLC spearheads the review and development of laws administered by the Commission and financial sector legislation generally, assists in development and review of the Commission's guidelines and policies relating to the laws under the Commission's administrative remit, manages matters of international cooperation, and oversees international reviews and assessments.

## 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.

## Internal Audit Department

The Internal Audit Department (IAD) was established in 2022. IAD reports to the Board via the Audit Committee and the Executive Director and is responsible for conducting risk-based reviews based on the annual risk assessment and internal audit priorities.

Greater Antillean Bullfinch

# Operations

Photo © Hendrew Haley



# Policy and Research

During 2023, the Commission focused its policy and research efforts on the following areas:

- Researching and recommending updates to The Bahamas' digital asset regulatory framework.
- Researching and drafting of a policy paper, which among other things, reviews the current landscape of the capital markets of The Bahamas, and provides recommendations to assist with its growth and development.
- Planning and hosting of the international FinTech conference, "D3 Bahamas".
- Updating the Group of Financial Services Regulators' (GFSR) Countering Proliferation Financing Guidelines.
- Researching and drafting of a policy paper recommending the adoption of environmental, social, and corporate governance (ESG) guidelines for public issuers and ESG funds.
- Researching best practices related to the eligibility, governance, organization, and operational conduct criteria for registered carbon credit exchanges in The Bahamas.
- Continuing the FinTech industry engagement efforts of SCB FITLink, the Commission's FinTech Hub.

## Digital Asset Regulatory Framework

In the Commission's continuing efforts to ensure that the Digital Assets and Registered Exchanges (DARE) legal framework is current, competitive, and compliant with international standards, the Commission participated in several initiatives during the year.

From the inception of the DARE Act, the Commission intended for DARE to remain flexible to adapt to the ever-changing digital asset landscape. Consequently, the Commission worked with an international law firm to benchmark DARE against other jurisdictions and to draft certain amendments to DARE. These amendments were intended to address legislative gaps, procedural concerns, new risks seen by the Commission that were not apparent in previous years or were not relevant during the adoption of DARE. Ultimately, the amendments will result in a repeal and replacement of the Act.

As a member of the International Organization of Securities Commissions' (IOSCO) FinTech Network, the Commission assisted in the drafting of IOSCO's Crypto and Digital Asset Recommendations Report (the Report) released in November 2023, which among other things, provides sixteen uniform recommendations and global best practices for the supervision of digital asset businesses. This helped to inform the

amendments to the Commission's DARE Act; the proposed amendments to DARE were benchmarked to ensure consistency with the recommendations of the Report.

## Capital Markets Research Paper

The Commission continued its research of The Bahamas' capital markets in 2023, working to develop a paper that analyses the capital markets of The Bahamas, compares the capital markets with select benchmarked jurisdictions, and makes recommendations that, if implemented, may lead to more robust capital markets in The Bahamas. The focus areas of the analysis covered the domestic capital markets inclusive of public offerings, investor protection measures, investor education, and exchange practices.

To supplement the paper, the Commission will develop a survey, that is intended to collect empirical data and information regarding retail and accredited investor participation in The Bahamas' capital markets. This information will be used to further support the paper and its recommendations.

## Pension Plan Addendum

The Commission drafted a corollary to the capital markets research paper in 2023. The addendum recommends that the Government of The Bahamas considers adopting legislation requiring a mandatory occupational private pension scheme for all private sector Bahamian employees. The addendum reviews and examines the internationally accepted best practices and principles that should undergird private pension legislation and recommends the appropriate policies and procedures to foster effective supervision of the pension. The addendum proposes mandatory private pension legislation that would augment retail and institutional investor participation in The Bahamas' capital markets, and result in making them more efficient and robust.

## D3 Bahamas

In 2023, the Commission, in collaboration with the Government of The Bahamas, hosted the D3 Bahamas Web3 and FinTech Conference.

D3 (decentralization, digitalization, and disruption), Bahamas brought together global leaders across digital assets, FinTech, venture capital payments, regulation, and compliance, under the theme "Building Trust in a Web3 World". Over 850 individuals attended the Conference across the two-day event, where they were able to learn from over 80 experts in the FinTech and Web3 sectors. See **D3 Bahamas Web3 and Fintech Conference**, page 36.

## Countering Proliferation Financing Guidelines

In August 2018, the Group of Financial Services Regulators (GFSR) issued a Guidance Note on Proliferation and Proliferation Financing (the Guidance Note) for the financial services industry. The Guidance Note, among other things, defined proliferation financing, described the proliferation financing regulatory framework in The Bahamas, and outlined the international standards and obligations relevant to combating proliferation financing risks within The Bahamas that financial services registrants and licensees were required to adhere to when engaging in business activities.

In October 2020, the Financial Action Task Force (FATF) updated its Proliferation Recommendations. Consequently, in 2023, the Commission led an inter-agency working group to update the Guidance Note, in accordance with FATF's updated standards. The updated Countering Proliferation Financing (CPF) Guidelines:

- Define Proliferation and Proliferation Financing (PF) and provides guidance on how registered entities should implement the updated PF recommendations in their CPF mitigation risk framework.
- Explain PF risks and key indicators, particularly regarding new and novel businesses and technologies such as digital assets.
- Describe the importance of financial services regulators in the jurisdiction in identifying and combating PF.
- Provide sector specific guidance for applicable sub-sectors of the financial services industry in The Bahamas, including gaming, crowdfunding, digital assets, and insurance. The Guidance Note and accompanying summary note will be released for public consultation during the first quarter of 2024.

## ESG Framework

Since the adoption of the 2015 Paris Agreement on climate change, international standards setting bodies have become increasingly cognizant of climate risk and its effects on the financial sector and overall financial stability of global markets. Similarly, investors in financial and capital markets are increasingly considering the potential impacts public issuers and other financial institutions have on the environment, when making investment decisions.

In light of this, the Commission is drafting a white paper on guidelines for ESG disclosures for public issuers and investment funds. The paper will examine the recommended ESG principles of select standards setting bodies, and benchmarks six jurisdictions that have a framework for mandatory ESG disclosures and principles. The paper will recommend an appropriate ESG disclosure framework for both public issuers and investment funds that claim to have adopted an ESG investing mandate. The paper will further recommend the best practices and standards that should undergird the ESG disclosures.

## Improvement of the Quality of Statistical Information

The Commission has committed to increasing the frequency and improving the quality of statistical information publicly disseminated. The Commission's goals of improving the amount and quality of statistical information are to:

- Enable the Commission to gain better understanding and insight of the securities and capital markets;
- Provide the public access to data about what are the securities and capital markets regulated sectors; and
- Ensure supranational bodies, such as IOSCO and the FATF, understand the industry, trends, opportunities, and risk mitigation efforts.

The Commission drafted a policy paper in 2021, which recommended various options for the Commission to improve the amount and quality of statistical information provided to registrants and the public. As a result of the paper, in 2023, the Commission solicited proposals from suitable firms to assist with the requisite reports, which will be published in 2024.

## SCB FITLink

The Commission continued its engagement with the public on various FinTech related issues, such as digital asset business, crowdfunding, artificial technology, and initial token offerings through SCB FITLink. In 2023, FITLink received **67** requests for information.



Figure 1: Categories of FinTech-related questions submitted to SCB FITLink in 2023.

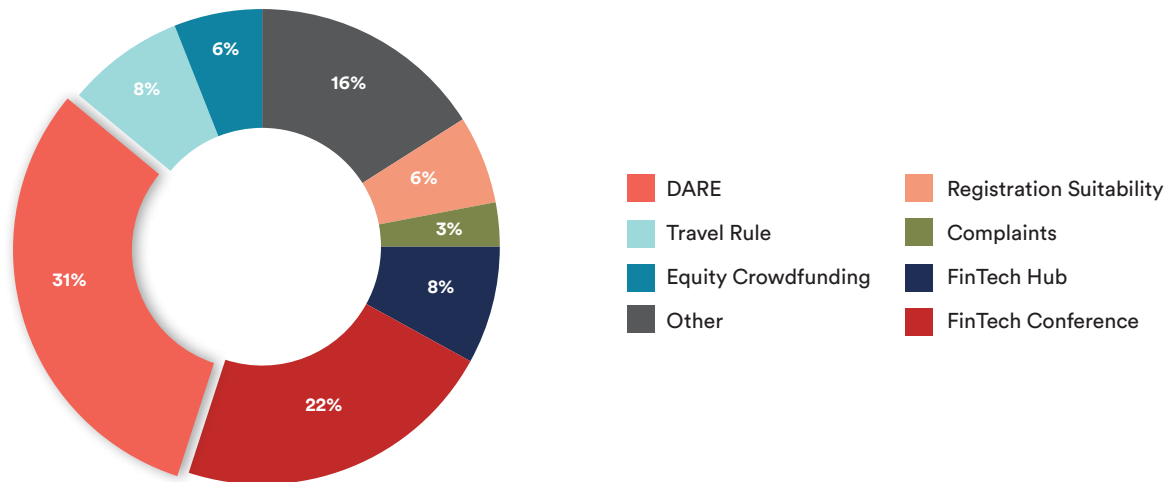
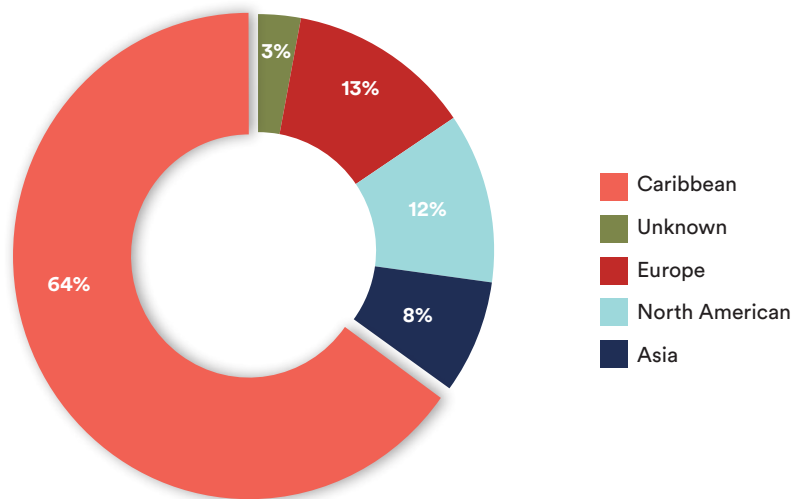


Figure 2: FinTech-related questions, by jurisdiction, submitted to SCB FITLink in 2023.



Partnership with the University of Cambridge

One of the functions of the Commission is to promote investor education and other conditions that facilitate innovation and development of digital asset business within The Bahamas. In support of this, in July 2023, the Commission engaged with senior executives from the Cambridge Centre for Alternative Finance (CCAF) Cambridge Fintech and Regulatory Innovation (CFTRI) programme at the University of Cambridge Judge Business School, to discuss a licensing agreement to offer their proprietary FinTech course at the University of The Bahamas (UB). The agreement would allow the Commission, and UB, access to, and use of the technology and technical content developed for the CFTRI programme. The course would be offered to FinTech professionals and industry practitioners.

The Commission negotiated key elements of the programme, including responsibilities of the parties to the collaboration; features of the license; and course content, instructors and tutors.

The Commission was also able to negotiate offering the course to select UB students, the first time Cambridge had agreed to offer the course to students in a non-UK jurisdiction. As a result, the course was made available to students enrolling via the School of Continuing Education and Lifelong Learning, as well as graduate students, eligible bachelor’s degree students, and students enrolled in the College of Law.

The Commission and the CFTRI also agreed that the course would feature a “Bahamas Contextualisation” modification feature, which conferred the authority to the Commission to introduce Bahamas-specific case studies, and to incorporate The Bahamas’ legal and regulatory framework as references to illustrate the concepts introduced in the course.

The terms of the licensing agreement were finalized in October 2023.

## Ongoing Policy Development

### Carbon Credit Trading

The Carbon Credit Trading Act (CCTA), passed in October 2022, regulates the trading of carbon credits in or from within The Bahamas. Since the adoption, the Commission has continually sought industry feedback, conducted internal reviews and monitored international best practices regarding the regulation of carbon credits trading. The Commission is consolidating the feedback and will draft an appropriate guidance to assistant registrants with complying with the CCTA.

## Digital Asset Policy Statement

Due to the development of the Digital Assets and Registered Exchanges Bill, 2023, the Commission worked on the draft updates to the Digital Asset Policy Statement (the Policy Statement), which was published in August 2022. The updated Policy Statement will reinforce the Commission’s approach to implementing world leading digital asset regulations that are guided by robust risk management, consumer and investor protection and orderly market growth and innovation. The research focused on providing a summary and explanation of the digital asset businesses’ requirements under the new legislation, including:

- new requirements of businesses engaged in custody of digital asset or custodial wallet services
- a summary of the regulatory framework for digital asset businesses engaged in staking activities
- a summary of the Commission’s regulatory treatment of stablecoins and stablecoin issuers
- standards for addressing conflicts of interest, and connected third party relationships
- new liquidity requirements for digital asset businesses.

## Money Lenders Survey

To address non-bank money lenders services within The Bahamas, the Commission prepared a Money Lenders Survey for firms licensed under the Financial and Corporate Service Providers Act, 2020 (FCSPA). The purpose of the survey is to gather data and information

that is not typically collected by the Commission in exercising our statutory mandate to regulate FCSPA licensees. The survey data and information will be collated and analysed with the aim of enhancing consumer protection in the non-bank money lending sector of The Bahamas.

## Investor Education

Financially literate investors with access to reliable, current investment information are better positioned to grow their wealth and safeguard against investment fraud, scams, and other misconduct. This fundamental principle drives the Securities Commission’s commitment 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.

In 2023, the Commission undertook several initiatives to promote investor education and financial literacy in The Bahamas, engaging with community initiatives, international forums, and internal programs to achieve these goals.

## Community Engagement and Initiatives

### BLOOM Financial Literacy Conference for Children and Teens

The Commission partnered with the Financial Academy as an event and student sponsor for the BLOOM Financial Literacy Conference for Children and Teens, held on 29 April 2023, at the University of The Bahamas. Lesley Pearson, Senior Manager, Internal Audit represented the Commission as a speaker, addressing over 350 students on “Money Matters: Financial Literacy and Budgeting.” Attendees also received age-appropriate information on investment basics, fraud prevention, and other financial literacy tips.

### Central Bank of The Bahamas Financial Literacy Expo 2023

The Commission participated as an exhibitor during the Central Bank’s two-day Financial Literacy Fair and Digital Expo at Fusion Superplex. The event showcased the advancement of digital transformation in The Bahamas and facilitated conversation around adoption and use of digital payment platforms and services, and of the Central Bank’s Sand Dollar. The event also underscored the importance of financial literacy in a digital era. The Expo featured over 30 speakers and 30 exhibitors from the financial services industry.



## IOSCO World Investor Week (WIW) 2023

The Commission's official 2023 World Investor Week celebration, observed 2-8 October, focused on the global campaign's themes of investor resilience, crypto assets, and sustainable finance. In addition to social media posts and event-related postings to the Commission's website, the Commission launched several initiatives.

### Investor Education Month

Prime Minister Philip Davis, KC, proclaimed October 2023 as "Investor Education Month" in The Bahamas. This proclamation aimed to raise awareness about investing in the capital markets, highlight the Commission's role in its regulation, and to emphasize the importance of financial literacy and investor education in empowering the public to make sound investment decisions. The proclamation appeared in local newspapers and on the Commission's website and social media pages (Facebook, LinkedIn, Twitter, and Instagram).

### Make Money Moves: A Financial Literacy Program for Teen Mothers

The Commission launched a partnership with the Andrea Archer Institute to provide quarterly financial literacy training to enrolled students over the following year (2023-2024). The Andrea Archer Institute provides education opportunities and training to assist new and existing teen mothers experiencing difficulties completing school due to pregnancy. The first training session was held on 4 October covering topics such as budgeting, saving, differentiating between needs and wants, and debt management.

This initiative aims to equip teen mothers with practical skills and tools necessary to make informed financial decisions for themselves and their families.

### Investor Education Seminar

To enhance financial literacy and resilience among regulatory staff and promote a culture of financial awareness within the industry, the Commission hosted an Investor Education seminar on Thursday 5 October. The event was open to staff of the financial services regulators within the Poinciana House complex, where the Commission is located, as well as the Financial Intelligence Unit. The Investor Education Seminar consisted of four sessions:

1. Let's Get Investing – Fundamental Principles
2. Preparing For Retirement
3. Cryptocurrency – Protect Yourself
4. Panel Discussion: The Role of Home Ownership in Wealth Building

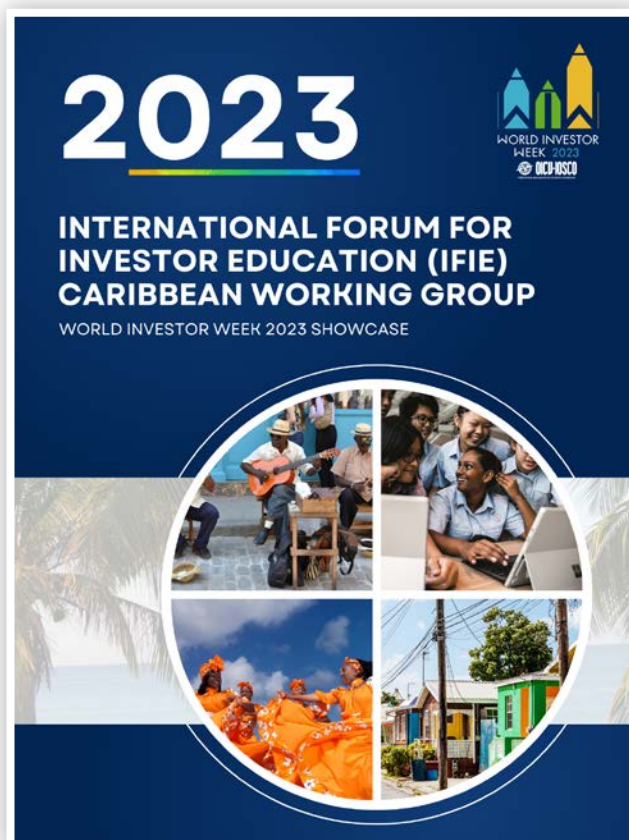
### International Forum for Investor Education (IFIE) Americas Chapter, Caribbean Working Group (CWG) Member Showcase

The Commission participated with the International Forum for Investor Education (IFIE) Caribbean Working Group (CWG) members in a showcase highlighting the most effective and impactful initiatives launched during previous World Investor Week celebrations. A showcase of each CWG jurisdiction's initiatives was created and is available on the Commission's website.

## International Engagement

### International Forum for Investor Education (IFIE)

Throughout the year, the Commission actively engaged with IFIE Americas Chapter, CWG. The CWG is focused on enhancing and supporting regional investor education and financial literacy initiatives as well as planning regional participation in the IOSCO World Investor Week Celebrations. The Commission attended 7 CWG meetings in 2023.



# 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 financial markets regulation. 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 35 securities regulators. The Commission’s executive director 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 re-elected in July 2022 for the term 2022-2024.

**Assessment Committee** 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** 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** 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.

**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 2023.

**Table 4: Membership meetings attended during 2023**

Meeting/Date	Place	Theme/Topic
<b>International Organization of Securities Commissions (IOSCO)</b>		
Annual Meeting of IOSCO 13-16 June	Bangkok, Thailand	Discussions on recent work (published reports and projects), market developments, capacity building, and regulatory updates in member jurisdictions.
Assessment Committee (AC) 16-17 February 28 June 29 June	Nassau, The Bahamas Virtual Virtual	
C3 (Committee on Regulation of Market Intermediaries) 26 January 15-16 March 10 May 13 September 3 October 4 December	Virtual Nassau, The Bahamas Virtual Virtual Virtual Madrid, Spain	
C4 (Committee on Enforcement and the Exchange of Information) and Screening Group 1 29-30 March 28-29 June 21 September	Nassau, The Bahamas Warsaw, Poland Virtual	

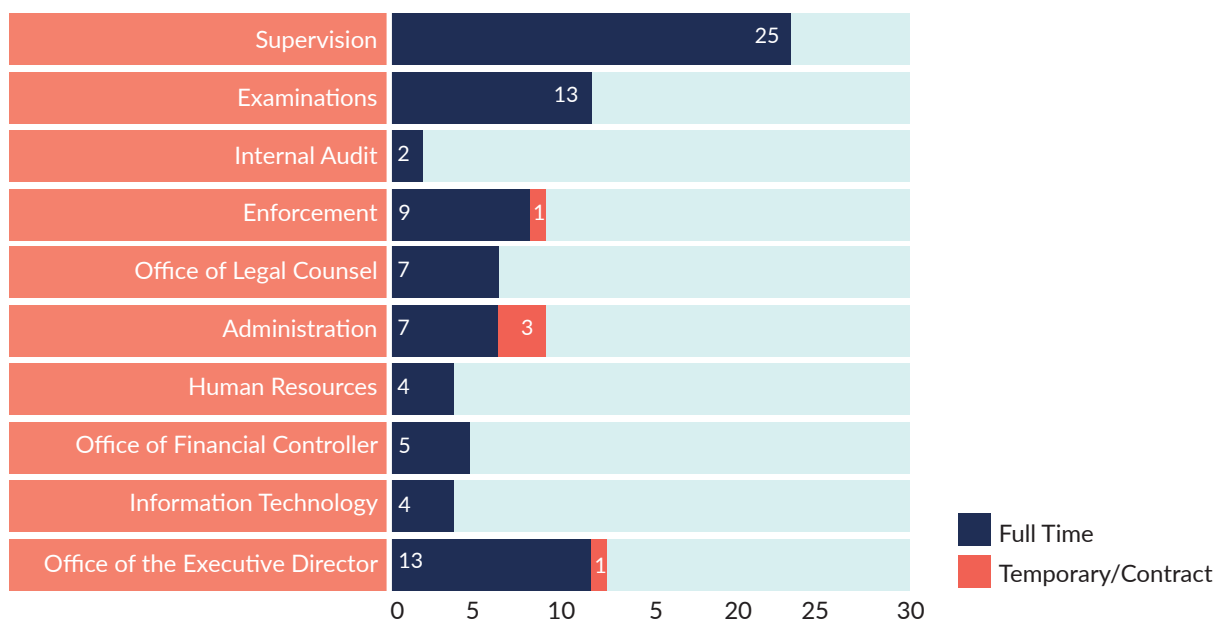
Meeting/Date	Place	Theme/Topic
IOSCO Fintech Task Force 1 March 25 May 18 July 2 August 12 September 27 September	Virtual London, UK Virtual Virtual Virtual Virtual	
Fintech Task Force Steering Group 31 January 1 March 18 April 24 April	New York, USA Virtual Virtual Virtual	
<b>Inter-American Regional Committee (IARC)</b>		
9 March	Virtual	Discussions on Fintech and Crypto Assets and Sustainable Finance.
13 June	Bangkok, Thailand	Updates on IOSCO Workplan and Board discussions, market developments and regulatory updates from members and sustainable finance and Fintech and crypto updates. Meeting chaired by Vice-chair Christina Rolle, Executive Director of the Securities Commission of The Bahamas.
7 November	Virtual	Updates on Board work-in-progress and activities, Members' regulatory and supervisory initiatives and sustainable finance.
<b>Growth and Emerging Markets Committee (GEMC)</b>		
13 June	Bangkok, Thailand	Discussions on capacity building activities, market development program for members, sustainable finance and IOSCO activities.
22-23 November	Cairo, Egypt	Discussions on capacity building needs in emerging markets, sustainable finance and market development workshops.
<b>Caribbean Group of Securities Regulators (CGSR)</b>		
21 November	Virtual	Annual Meeting. Discussions on 2024-2026 programs and priorities and other administrative matters along with regulatory and supervisory updates from members and regional committees and working group updates



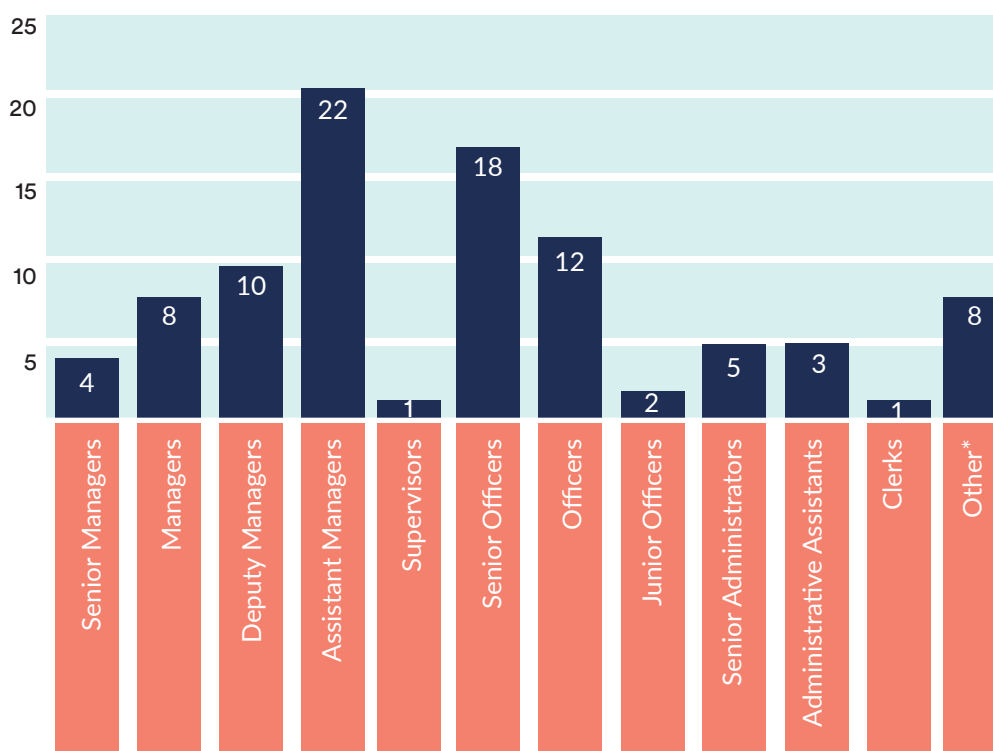
# Human Resources

As at 31 December 2023, the Commission's staff complement stood at **94** consisting of **89** full-time employees and **5** temporary/contract employees. There were **12** new hires and **4** resignations. During 2023, the Commission maintained a staff retention of 95 percent. There were 6 staff promotions, as a result of the annual performance review process.

**Table 5: Number of employees by department**

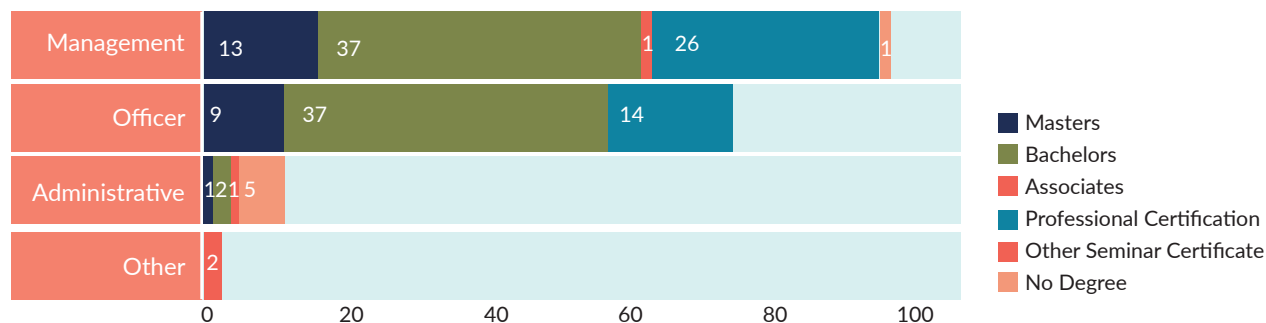


**Table 6: Number of employees by position**



\* Other represents: 1 Executive Director, 3 Deputy Executive Directors, 1 Clerical Worker, 1 Logistics Assistant, 1 Janitress and 1 investigations officer on contract.

**Table 7: Qualifications of Commission employees across positions**



During 2023, the Commission held 4 staff meetings. All meetings were held in-person.

## Staff Education and Training

During 2023, the Commission continued its support of staff development to strengthen its capacity to execute its functions and ongoing priorities. Capacity building opportunities included travels as required. The majority of training, conferences, seminars and meetings were in-person for 2023.

**Table 8: International, domestic and virtual training, and capacity building events attended by Commission staff**

Conference/Meeting/Training	Place	Staff Attended
IOSCO Fintech Task Force Steering Group Meeting 2023	New York	1
Securities Industry Institute (SII) 2023	Philadelphia, PA	11
2023 General Audit Management Conference	Grapevine, TX	2
University of the West Indies (UWI), Cave Hill Campus Legislative Drafting LLM	Cave Hill, Barbados	1
Chainalysis Links–NYC 2023	New York, NY	6
London School of Economics & Political Science (LSE) Law School Executive Master of Laws (ELLM)	London, England	1
Consensus by CoinDesk 2023	Austin, TX	4
NY Empire FinTech Conference 2023	New York, NY	1
LSE Law School ELLM Module – Commercial Remedies	London, England	1
CommunityLIVE OnBase Conference by Hyland	Las Vegas, NV	2
AICPA & CIMA Governmental & Not for Profit Training	Las Vegas, NV	2
IOSCO Board STF SG FSEG Meeting	Madrid, Spain	2
IOSCO C4 and SG Meetings	New York, NY	2
AMERC & GEMC Annual Meetings/Conference	Cairo, Egypt	3
IMF/EO-AMLCTF Round Table Discussions	Abu Dhabi, UAE	2

Conference/Meeting/Training	Place	Staff Attended
CFATF 57th Plenary & Working Group Meetings	Aruba	3
2023 Hong Kong FINTECH Week	Hong Kong, PRC	1
CFATF Joint Assessors Meeting	Antigua & Barbuda	2
IOSCO Screening Group and C4 Meetings	Warsaw, Poland	2
Delf B2 French Language Certification	Paris, France	1
7th IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets – Phase 1	Madrid, Spain	8
Association of Certified Anti-Money Laundering Specialists (ACAMS) 21st Annual Conference	Las Vegas, NV	3
48th Annual Meeting of IOSCO	Bangkok, Thailand	3
SHRM Annual Conference & Expo 2023 (SHRM23)	Virtual and Las Vegas, NV	2
AICPA & CIMA Engage 2023	Las Vegas, NV	3
CFATF 56th Plenary and Working Group Meetings	Aruba	3
IOSCO Screening Group and C4 Meetings	Warsaw, Poland	2
BACO Compliance Day 2023	Nassau, The Bahamas	2
Bahamas Society for Human Resources Management (BSHRM) Annual Conference & Expo 2023	Nassau, The Bahamas	4
IOSCO C3 Meeting	Madrid, Spain	1
The Assembly Caribbean 2023	Orlando, FL	1
2023 IOSCO/PIFS HLS Global Certificate Program	Cambridge, MA	5
LSE Law School ELLM Module – Corporate Restructuring	London, England	1



## Health and Wellness Initiatives

The Commission continued to foster a healthy workforce and create a proactive 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 are able to increase their awareness of health and wellness, through a number of initiatives that provide the tools to make informed lifestyle choices.

## Community Outreach

### Blood Drive

On Friday 6 October 2023, the Commission, in conjunction with the Blood Bank at Princess Margaret Hospital (PMH) hosted an in-house blood drive. Staff from the Insurance Commission, Compliance Commission and the Financial Intelligence Unit participated. The Blood Drive was organized by HRD and administered by the Social Committee.

### Flu Shot

On 14 and 29 November 2023, the flu shot was administered on property to interested staff members of the Commission as well as other agencies in the Poinciana House Complex: the Insurance Commission, the Compliance Commission and the Financial Intelligence Unit.

### Explanation of Benefits

On Thursday 21 September 2023, CG Atlantic Medical and Life representatives presented on the Commission's Medical and Life plan.

On Monday 23 October 2023, Colina Financial Advisors (CFAL) presented on the Commission's Staff Pension Plan. Staff was also provided with additional information on retirement planning.

## Administration

### Project Butterfly

The Commission continued with its digital transformation project in 2023. Project Butterfly 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, aimed at easing business for constituents and expanding both our operational efficiency and regulatory effectiveness, is divided into two phases.

Phase one of the Project, which commenced mid-2022, focused on the digitization. By the end of 2023, more than 60 percent of the Commission's processes, the revamping of the CoRI portal—to provide both external and internal portals, and the automation of selected processes related to our application processes.

During the year various aspects of the project were progressed. They included:

### Business process analysis, mapping and management

All critical operating procedures of the Commission were reviewed, revised as needed and fully mapped out, with the use of targeted software.

### Digitizing of application forms and data sources

During 2023, the Commission significantly advanced completion of digitizing of its application and ongoing obligation forms. The forms, primarily comprising the core application forms and key forms relating to the reporting of ongoing obligations by constituents, are also interactive. Digital forms within the CoRI portal will present questions specific to the applicant and provide pre-populated data specific to that entity. CoRI ensures that users have access to relevant forms.

The implementation of these digitized forms will allow the Commission to collect data directly from the forms without the need for manual transfer or manipulation. The information collected from the digital forms will be stored directly in organized databases and feed into various workflows, analysis and reports. A critical output of Project Butterfly is having organized data that can be fed into a unified database (data warehouse) to allow the Commission to produce additional statistical information related to the markets that it oversees. Efforts during phase one of this project will greatly assist the Commission in meeting this objective.

Electronic workflows, developed from our improved operational procedures that tie into these forms, were also developed.

### Implementation of new and enhanced CoRI filings portal

A revamp of the CoRI filings portal is nearing completion. As part of Project Butterfly, the Commission considered feedback received on the former portal, in addition to improvements it had identified, to develop a solution that will better meet the needs of registrants and licensees. The redesigned portal will allow a constituent access to its filings history and live tracking of submissions, where appropriate. Constituents can also expect a simplified sign-off process for forms. In addition, the enhanced portal will allow interaction with constituents, and for the complete process of review and approval of applications and other forms to be done electronically.

### Automation and interconnectivity

The initial phase of Project Butterfly, will include the relaunch of the CoRI filings portal. A major element included in the enhancement to this portal is the automation of various steps in the workflows related to the submission and processing of applications and other requests, and the increased connectivity between the data submitted and the Commission's unified database. It will also improve efficiencies in the interactions with internal staff and information submitted by constituents. The official launch of the initial stage is scheduled to occur in January 2024.

Phase two of Project Butterfly will include the digitization of the remaining processes for the Commission, further development of forms for both external and internal use, and the development of internal workflows to support the operations of the Commission. Phase two of the project is expected to begin after the launch of the revamped CoRI portal.

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 capacity to spot trends within the industry, and improve the quality of information used in conducting regulatory functions. It will also serve in the development of improved reports for industry participants, investors, consumers of financial services, which fall under the Commission's regulatory remit, international standards setters, policymakers, and the public at large.

## Information Technology

### Digital Transformation

The Commission's digital transformation project has served as the backbone for many of the enhancements that have been experienced with information technology in the Commission. IT Department resources were extensively involved, due to the nature of the digital transformation project. This included advancing many elements of phase 1, particularly regarding data and infrastructural requirements for the new Compliance and Regulatory Interface (CoRI).

### Compliance and Regulatory Interface (CoRI)

During 2023, the Commission directed considerable IT efforts and resources towards the enhancement of the Compliance and Regulatory Interface (CoRI) platform. CoRI is intended to become a major resource in the exchange of information and general communication between the Commission and the industry. Within the organization, this enhanced architecture will promote efficiencies by providing digital workflows featuring automatic alerts and escalations if tasks are not executed in a timely manner. CoRI will also provide improved reporting on both an individual and industry level.

### Server Upgrades

During 2023, the Commission embarked upon an initiative to ensure that all the servers were upgraded to the most current Windows operating system. This initiative addressed system servers as well as application servers where the upgrade was expanded to include the latest versions of the various application software.

The upgrade of the operating system and all applications enabled staff to fully utilize all available features.

### Hardware Upgrades

In addition to the various software improvements, elements of the Commission's server infrastructure were upgraded, increasing the capacity to meet the resource needs the ever-increasing environment demands.

The Commission successfully replaced all laptops, which account for approximately 60% of user PCs. This successful rollout supports the Commission's mandate of providing relevant hardware solutions to our staff. The technology world evolves quickly, and this evolution demands constant upgrading of equipment at all levels.

## New Applications

### WebHR

The Commission launched an extensive vetting process in the search for an application to meet the needs of human resources management. Required criteria included the ability to digitize the vast majority of human resource processes, while allowing staff to have an intuitive dashboard that could be easily understood and adapted throughout the life cycle of the Commission. Other criteria included the ability to provide readily accessible information in real time to staff and management. The Commission determined that the WebHR application currently meets human resources needs with room to work with the expected growth and expansion of the Commission. A project is currently underway to review and refine human resources procedures and map these onto the WebHR by designing workflows that are built upon functionality inherent within the application.

### TeamMate+

To facilitate the functions of the Commission's recently established Internal Audit Department, a software solution, TeamMate+, was sourced to meet the needs of the unit.

### Digital asset monitoring enhancement

The Commission commenced a subscription to a powerful application for monitoring and tracking digital assets activity to significantly enhance the Commission's oversight capacity within the digital assets marketplace.

## Internal Audit

The Internal Audit Department (IAD) is a part of the third line of defence within the Commission's risk management structure. The department provides support to the Audit Committee of the Board and management regarding internal controls and risk management. The Head of IAD reports independently to the Audit Committee and administratively to the Executive Director. The Commission aims to use internal audit to monitor and respond to potential risks, although it does not expect to eliminate all operational risks.

During 2023, the department expanded its capacity by obtaining leading internal audit software, training at the local and international level, and collaboration

with external parties (i.e. consultants/audit firms) to enhance the department's operating structure and audit methodology. IAD's collaboration with external parties also served to develop the Internal Audit priorities for 2024 and beyond.

Since its establishment, the department has impacted the work of the Commission with internal dialogue and recommendations. The work completed in 2023 has set the foundation for the department to achieve its goals for 2024.

## Enterprise Risk Assessment

An enterprise-wide risk assessment of the departments in the purview of IAD was completed during 2023. This assessment was used to determine the audit plan for 2024. Risk factors considered included the ability to meet strategic objectives and systemic risk.

## Internal Audit Software Solution

TeamMate+ software was selected in December 2023 with full implementation expected in early 2024. The software was chosen because of its capability to manage the entire internal audit workflow in areas such as risk assessment, audit planning, audit execution and issue tracking, among other things. The software will also support reporting to the Board and other management-related responsibilities. Although internal audit reviews commenced manually in 2023, they will all be managed using the TeamMate+ software in 2024.

## Social Committee

During 2023 the Social Committee facilitated several community-centred activities with the support of management and staff.

## First Aid & CPR Certification

In March 2023, Commission staff participated in a First Aid & CPR Certification Course. The training provided hands-on practice for life-saving skills and learning CPR techniques. The initiative strengthened staff readiness to respond effectively to emergencies. Participants received a CPR/First Aid Certificate valid for one year. The training was completed by 62 staff members.

## Lupus Awareness Month

May is Lupus Awareness Month, which is significant as a staff member, Jonique Webb, died from complications of Lupus in January 2020. Purple Denim Day was observed every Friday in the month; staff wore purple work shirts—the colour of lupus awareness. Staff donated to the non-profit group Lupus 242 to assist in funding research, providing support, and raising awareness of Lupus.



## Back-to-School Jamboree

In August 2023, the Social Committee sponsored a back-to-school jamboree with giveaways for 200 students from Bains and Grants Town, St. Barnabas and Free Town under the theme “We Grow When We Give”.

The Jamboree provided an opportunity to ease the financial burden of parents preparing for the new school year, in addition to it being a fun-filled day for all. Hosted on the grounds of the Poinciana House complex, the Commission staff volunteered their time as kids and parents enjoyed bouncing castles, face painting, fun mascots, free haircuts, sweets and treats. Food and snack vouchers were presented to each family at the end of the day. The Social Committee was pleased with the opportunity to give back to the community.

## Cancer Awareness Month

During October, the Social Committee observed Cancer Awareness Month. Every Friday was Pink Friday and staff were permitted to wear pink work shirts and jeans. The Social Committee also partnered with a cancer survivor on staff and the Cancer Society of The Bahamas for a cancer awareness workshop. To close Cancer Awareness Month staff donated funds that were matched by the Commission and donated to a cancer organization/foundation.

## Blood Drive

On 6 October 2023 the Social Committee assisted the Human Resources Department with a blood drive, in conjunction with the Public Hospitals Authority. Commission staff was joined by staff of several agencies housed in the Poinciana House complex—the Compliance Commission, the Insurance Commission and the Financial Intelligence Unit. More than 50 persons signed up, 42 were able to donate. A total of 36 pints of blood was collected. The Committee provided all participants with a healthy lunch, snacks and drinks. The event was a success as the PHA was pleased with the amount of support received.

## Table Decorating Competition

In November, the Social Committee held a “Team Giving” competition. Staff donated non-perishable grocery items, which were then used in a table decorating competition that fostered teamwork, comradery, creativity and fun. The Social Committee donated the groceries to Pat’s Senior Citizens Home; Unity House; Paradise In Home Care; Bishop Lawrence Rolle Community Feeding Program; and the Government High School Guidance Department.



PMH Blood bank representative monitors donors at the Blood Drive.



Members of the Social Committee, right, presenting donated grocery items to Government High School Guidance Counsellors.



# D3 Bahamas

## Web3 & FinTech Conference

As the country's regulator for digital assets and digital asset businesses, the Commission, in collaboration with the Government of The Bahamas, hosted the three-day D3 Bahamas Web3 and FinTech Conference (D3 Bahamas) from 10-12 October 2023 at Atlantis Paradise Island. This landmark event explored the convergence of decentralization, digitalization, and disruption of traditional finance, emphasizing the progression of digital assets and blockchain technology, under the theme "Building Trust in a Web3 World". The event also highlighted The Bahamas' emerging status as a pivotal centre for pragmatic digital asset regulation.

D3 Bahamas brought together a diverse group of international regulators, investors, entrepreneurs, and thought leaders, fostering an environment where visionary ideas could be transformed into practical realities. The Conference was designed to inform and educate participants on the latest advancements in decentralized technologies, digital asset management, and the potential for blockchain technology to revolutionize various industries. Through a series of keynote speeches, panel discussions, and networking opportunities, attendees were provided insight into the dynamic landscape of FinTech. In particular, the following themes were discussed:

- Regulation and RegTech;
- Financial Innovation and Inclusion;
- Central Bank Digital Currency and Stablecoins;
- Payments;
- Privacy and Security;
- Tokenization;
- Decentralization Finance (DeFi);
- Venture Capital and Investing; and
- Web3.

Altogether, 877 individuals attended D3 Bahamas, where they were able to hear from over 80 experts in the FinTech and Web3 sectors.

The Commission partnered with Finoverse, a leading FinTech events coordinator, to organize and promote the event.

## D3 Bahamas Highlights

### Prime Minister's Dinner

On the opening day, Prime Minister Philip Davis hosted an exclusive dinner at Nobu at Atlantis, with over 150 esteemed guests, including government officials, regulators, and industry professionals. This event marked an exciting start to the Conference, setting





the tone for the discussions and activities to follow. During his address, the Prime Minister highlighted the transformative potential of FinTech, the innovations within DeFi, and the vast opportunities for digital inclusion within The Bahamas. He emphasized how these themes could drive economic growth, enhance financial accessibility, and position The Bahamas as a leader in the digital economy.

The dinner served not only as a formal commencement, but also as a platform for networking and forging strategic partnerships among key stakeholders in these emerging sectors.

### Cambridge Centre for Alternative Finance, the University of The Bahamas and Securities Commission Partnership

On day one of the Conference, it was announced that the Commission would be partnering with the University of The Bahamas and the University of Cambridge's Centre for Alternative Finance to offer its proprietary course, the Cambridge Fintech and Regulatory Innovation Programme. The course will serve as both a professional continuing education course and a three-credit elective that contributes to UB students' degree requirements. The course provides the foundational knowledge needed to work with digital asset businesses and FinTech companies, and to understand The Bahamas' digital asset regulatory framework.

### Digital Assets and Registered Exchanges (DARE) Bill, 2023

Also on the first day of the Conference, the Commission's executive director participated in a panel titled "Building Trust and Adapting to Innovation", discussing the new DARE Bill, the rationale behind the amendments, and the Bill's development process. The panel reaffirmed the Commission's commitment to ensuring that the digital asset space remains appropriately regulated to protect investors and consumers and facilitate growth and innovation in the sector.

### Start-up Competition

D3 Bahamas also provided opportunities for new and growing companies to present their ideas to venture capital investors via its start-up pitch competition. The competition received 166 applications from 38 countries. A panel of judges, including proprietors of established digital asset businesses, selected the finalists who would go on to present at the event. Ultimately, nine finalists were given the opportunity to pitch their ideas live onstage at the Conference.

In addition to the start-up competition finalists, four companies from the Caribbean were also featured onstage during the Caribbean Showcase, which gave start-ups within the region a chance to present to local and international venture capital investors and gather support for the development of their businesses.





# Supervision, Examinations & Enforcement

## 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 2023, the market comprised of 29 primary market listings (2022: 37) which included 20 ordinary shares with a market capitalization of \$6.237 billion (2022: \$5.78 billion), 4 preference shares with a market capitalization of \$60 million and 5 Bahamas Government Stock (BGS). Additionally, the BGS and listed corporate bonds amounted to a face value of \$349 million, and 231 Bahamas Registered Stock (BRS) amounted to a face value of \$4.15 billion.

The volume of shares traded on BISX in 2023 was 4.877 million (valued at \$77.930 million) in contrast to 2022 when the volume of shares traded was 8.863 million (valued at \$65.302 million). Additionally, as at 31 December 2023 the BISX All-share index closed at 2,851.64 compared to 2,645.06 in 2022, which represented a 7.81% increase.

## Licensing, Registration and Examinations

### Securities Industry Act (SIA), 2011

#### Firms

In 2023, the Commission approved 8 new firms under the Securities Industry Act (SIA). 7 firms surrendered their license in 2023. As at 31 December 2023, there were 177 registered securities firms in the industry, which represents a net increase of 1 firm when compared to 31 December 2022.

**Table 9: Firms registered under the SIA**

Category	2022	Approved Firms 2023	Surrenders Completed 2023	Registered Firms as at 31 December 2023
Dealing as principal or agent	3	1	0	4
Dealing as agent only	9	1	0	10
Arranging deals in securities only	0	0	0	0
Managing securities only	14	0	0	14
Advising on securities only	9	0	1	8
Dealing as agent only and Arranging deals in securities	11	0	0	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	2	0	0	2
Managing securities and Advising on Securities	44	3	1	46
Dealing as principal or agent and Advising on securities	1	0	0	1
Dealing as principal or agent, Arranging deals in securities	16	1	2	15
Dealing as principal or agent, Managing securities and Advising on securities	4	0	0	4

Category	Registered Firms as at 31 December 2022	Approved Firms 2023	Surrenders Completed 2023	Registered Firms as at 31 December 2023
Dealing as principal or agent, Arranging deals in securities and Advising on Securities	1	1	0	2
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	6	0	2	4
Dealing as principal or agent, Arranging deals in securities, Managing securities and Advising on securities	20	1	0	21
Dealing as agent only, Arranging deals in securities, Managing securities and Advising on securities	28	0	1	27
Clearing facilities	1	0	0	1
Marketplaces	2	0	0	2
<b>Total</b>	<b>176</b>	<b>8</b>	<b>7</b>	<b>177</b>

### Market breakdown by activity

The SIA provides five categories of registrable activities for firms.

**Table 10: Firms by registrable activities**

Category	As at 31 December 2023
Dealing as principal or agent	47
Dealing as agent only	22
Arranging deals in securities	68
Managing securities	120
Advising on securities	112

### Penalties

Penalties assessed in 2023 against SIA firms totaled **\$125,600.00** for late filing of financial statements and/or late payment of annual fees.

### Individuals

In 2023, **98** individuals were approved under the SIA. Of the individuals recorded as registered at the end of 2022, a total of **48** individual registrations were surrendered or not renewed. As at 31 December 2023, there were **455** registered individuals under the SIA.



**Table 11: Categories of individual registration under the SIA**

Category	Individuals Approved 2023	Registered Individuals as at 31 December 2023
CEO	17	50
Compliance officer	36	95
Representative – Trading	17	61
Representative – Discretionary management	2	23
Representative – Advising	8	69
CEO and Representative – Trading	0	8
CEO and Representative – Discretionary management	0	16
CEO and Representative – Advising	0	8
Representative – Trading and Discretionary management	4	8
Representative – Trading and Advising	4	20
Representative – Discretionary management and Advising	3	29
CEO, Representative – Trading and Advising	1	4
CEO, Representative – Discretionary management and Advising	3	33
CEO, Representative – Trading and Discretionary management	0	2
Representative – Trading, Discretionary management and Advising	3	21
CEO, Representative – Trading, Discretionary management and Advising	0	8
<b>Total</b>	<b>98</b>	<b>455*</b>

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

### Breakdown by activity

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

**Table 12: Individuals by registrable activities**

Category	As at 31 December 2023
Trading Representative	132
Discretionary Management Representative	140
Advising Representative	192

## Examinations

### SIA, 2011

#### Firms

During 2023, pursuant to the SIA, 2011, 7 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 Central Bank of The Bahamas.

**Table 13: On-site examinations by category of registration**

Category	As at 31 December 2023
Dealing as principal or agent	1
Managing securities and Advising on securities	3
Dealing as agent, Arranging deals	1
Dealing as principal or agent, Arranging deals in securities, Managing securities and Advising on securities	2
<b>Total</b>	<b>7</b>

## Investment Funds Act (IFA), 2019

### Investment Fund Administrators

During 2023, 2 investment fund administrators surrendered their licenses while 1 investment fund administrator changed categories. As at 31 December 2023, there were 44 licensed investment fund administrators.

**Table 14: Licensed Investment Fund Administrators**

Category	Licensed Administrators as at 31 December 2022	Surrenders 2023	Change of Category 2023	Licensed Administrators as at 31 December 2023
Unrestricted	32	2	1	31
Restricted	14	0	1	13
<b>Total</b>	<b>46</b>	<b>2</b>	<b>-</b>	<b>44</b>

During 2023, 7 foreign fund administrators acted on behalf of Bahamas-based funds. As at 31 December 2023, 20 licensed investment funds were being self-administered pursuant to Section 8 of the IFA, 2019.

### Investment Funds

In 2023, 64 investment funds were approved and licensed; of those, 9 were licensed by the Commission, and 55 were licensed by unrestricted investment fund administrators and filed with the Commission. During 2023, 87 funds entered liquidation or surrendered their license, resulting in 659 licensed investment funds at year-end.

**Table 15: Investment Funds licensed under the IFA**

Category	Funds as at 31 December 2022	Approved Funds 2023	Surrendered/ Liquidated Funds 2023	Funds as at 31 December 2023
Standard Funds	30	0	1	29
Professional Funds	210	24	30	204
SMART Fund Model 001	12	1	1	12
SMART Fund Model 002	126	3	17	112
SMART Fund Model 003	3	0	0	3
SMART Fund Model 004	117	6	16	107
SMART Fund Model 005	4	0	0	4
SMART Fund Model 006	2	0	0	2
SMART Fund Model 007	178	30	22	186
<b>Total</b>	<b>682</b>	<b>64</b>	<b>87</b>	<b>659</b>

### Penalties

Penalties assessed in 2023 against investment funds administrators and investment funds totaled **\$134,150.00** for late or outstanding audited financial statements, late or non-submission of payment of annual fees, investment fund manager fees and other regulatory filings.

**Table 16: Investment Funds licensed by UIFAs and the Commission/SCB during 2023**

Category	Licensed and filed by UIFAs	Licensed by SCB
Standard Funds	N/A	0
Professional Funds	20	4
SMART Fund Model 001	1	0
SMART Fund Model 002	3	0
SMART Fund Model 003	0	0
SMART Fund Model 004	6	0
SMART Fund Model 005	0	0
SMART Fund Model 006	0	0
SMART Fund Model 007	25	5
<b>Total</b>	<b>55</b>	<b>9</b>

**Table 17: Registered Investment Fund Managers in 2023**

Investment Fund Managers	As at 31 December 2023
Registered Investment Fund Managers	221
Investment Fund Manager Registration Applications Processed in 2023	93

There were **494** investment funds with registered investment fund managers as at 31 December 2023.

### 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 2023 was **\$60.6 billion**, compared to \$50.3 billion for the period ending 31 December 2022, an increase of 20.48%

## Examinations

### IFA, 2019

During 2023, **12** examinations of registrants or licensees under the IFA were conducted.



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

During 2023, the FCSP Unit focused its efforts on finalizing the transitioning of licensees under the FCSPA 2000 to the FCSPA 2020. A total of **13** licensees were transitioned.

Former licensees that failed to transition were subsequently referred to the Enforcement Department. Those that were acting as Registered Office and Agent for International Business Companies were referred to the Registrar General's Department.

During 2023, **17** financial and corporate service providers (FCSPs) were newly licensed and **9** surrendered their licenses which brought the total number of licensed financial and corporate service providers to **292**. Of this total, there were **217** licensees in the category of Corporate Service Provider, **44** licensees in the category of Financial Service Provider, and **31** licensees in the category of both Financial and Corporate Service Provider.

**Table 18: Registered Financial and Corporate Service Providers**

Category	FCSPs as at 31 December 2022	Approved 2023	Transitioned 2023	Surrendered 2023	FCSPs as at 31 December 2023
Companies	197	16	4	6	211
Partnerships	15	0	2	0	17
Individuals/ Unincorporated Bodies	59	1	7	3	64
<b>Total</b>	<b>271</b>	<b>17</b>	<b>13</b>	<b>9</b>	<b>292</b>

**Table 19: Financial and Corporate Service Providers licensed by category**

Category	As at 31 December 2023
Corporate Services only	217
Financial Services only	44
Financial and Corporate Services	31
<b>Total</b>	<b>292</b>

## Examinations

### FCSPA, 2020

During 2023, a total of **24** examinations of financial and corporate service providers were conducted; **19** were conducted by the Commission and **5** conducted by the Commission's appointed agents.

**Table 20: Examinations by category of Financial and Corporate Service Providers**

Category	Conducted by SCB	Conducted by Agents	Totals
Corporate Services only	9	5	14
Corporate Services approved to carry on digital asset business	1	0	1
Financial Services only	8	0	8
Financial and Corporate Services	1	0	1
<b>Total</b>	<b>19</b>	<b>5</b>	<b>24</b>

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

During the year, the DARE Unit continued to engage in pre-applicant meetings relating to registration under the DARE Act. As at 31 December 2023, there were **18** firms registered under the DARE Act.

**Table 21: DARE registrants**

Category	As at 31 December 2022	As at 31 December 2023
Digital Asset Business <sup>1</sup> (excluding exchanges)	7	15
Digital Asset Business & Digital Token Exchange	-	2
Digital Token Exchange (only)	1	1
<b>Total</b>	<b>8</b>	<b>18</b>

<sup>1</sup> Four digital asset businesses are joint licensees: one registered firm and three financial and corporate service providers.

## Examinations

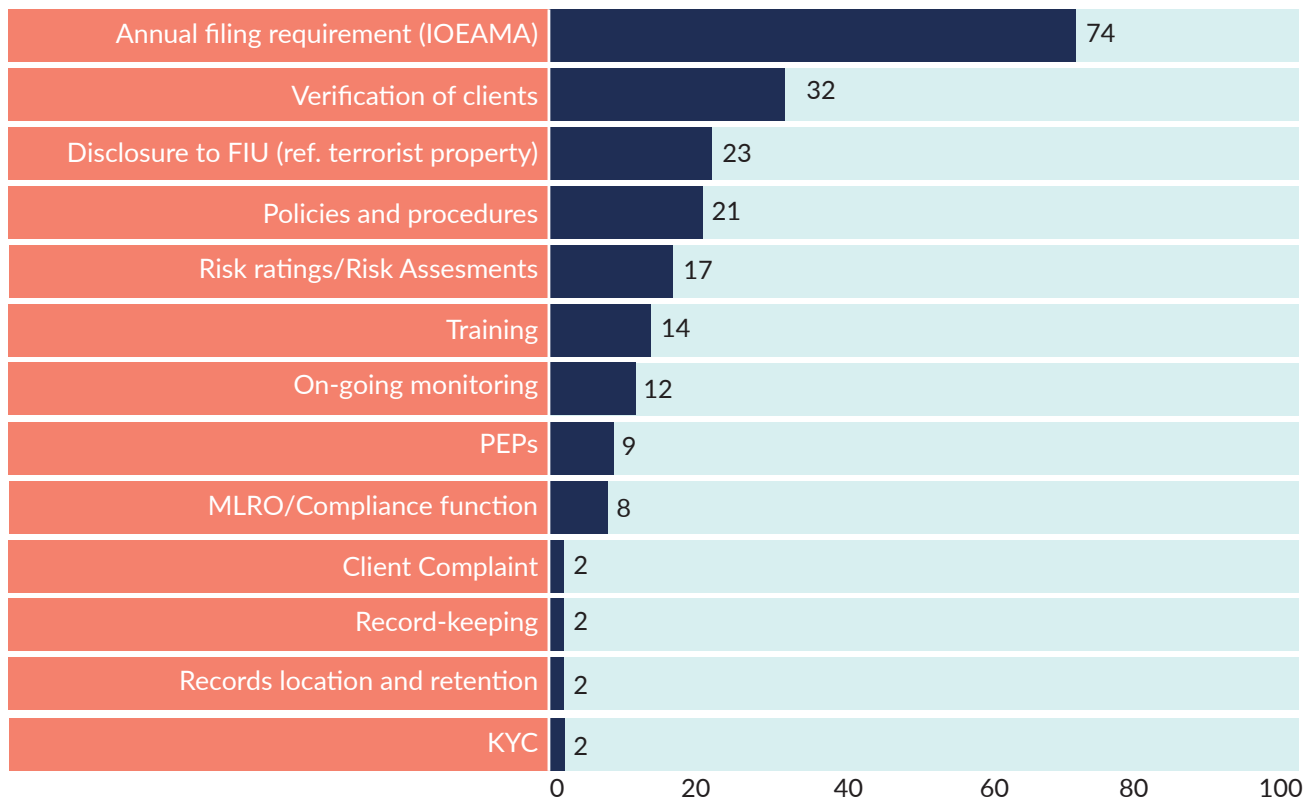
### DARE Act, 2020

One examination of a DARE licensee was conducted during 2023.

## Examinations

During 2023, the Commission observed **358** breaches in the conduct of **39** routine examinations of registrants and licensees by the Examinations Department. Of the breaches **223** were AML/CFT/CPF, and **135** were related to other matters. Figures have been updated as at 19 April 2024, following supervisory review of breaches.

**Table 22: 2023 AML/CFT/CPF breaches by category**



During the period from fiscal year 2021 to fiscal year 2023, the Commission has completed an average of 34 on-site examinations (i.e. 31 in 2021, 32 in 2022 and 39 in 2023), and has consistently noted and identified, in excess of 200 AML-related breaches, with 221 in 2022, and 223 in 2023.

Given the consistency in elevated AML-related breach statistics from year-to-year, and licensees failure to demonstrate improvement year-over-year, the Commission deems it necessary to enforce its powers under the respective legislation to impose proportionate financial penalties on licensees with a view to dissuading organizations from repeating AML offenses, most of which the Commission notes as being predominantly related to on-going obligations (i.e. filing requirements), on-going (client) monitoring, client verification & KYC, client risk ratings & risk assessments, employee training, and policies and procedures.

# Enforcement

There were **14** enforcement matters brought forward from 2022. During 2023, there were **2** litigation matters and **2** criminal matters opened. As at 31 December 2023, **18** enforcement matters remained open, of which **12** involved litigation, **3** were administrative and **3** were criminal matters. Criminal matters are transferred to another agency; however, the Commission maintains the matters on its records until they are resolved. Administrative matters primarily concerned non-compliance with filing obligations and client files/records requirements under the Securities Industry Act and Regulations.

**Table 23: The nature of enforcement matters in 2023**

Type of Matter	Matters brought from previous years into 2023	New matters opened in 2023	Matters closed in 2023	Matters open as at 31 December 2023
Litigation	10	2	0	12
Administrative	3	0	0	3
Criminal	1	2	0	3
<b>Total</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>18</b>

## Winding up petitions of MDollaz Ltd doing business as ArawakX, and FTX Digital Markets Ltd

Among the Commission’s key enforcement matters during 2023 were the winding up petitions of MDollaz Ltd (MDL) doing business as ArawakX, and FTX Digital Markets Ltd (FDM).

MDL experienced financial issues resulting in a deficit of over \$3 million. In September 2023, the Commission petitioned the court to wind up MDL. The court granted the Commission’s application for a court-supervised provisional liquidation on 9 November 2023. The hearing for the winding up petition was scheduled for 11 and 12 March 2024.

FDM was placed in provisional liquidation in November 2022 after it, along with its related-party entities worldwide, were impacted by solvency issues. In the course of expediting the liquidation process, the court-appointed provisional liquidators sought to facilitate a cooperation arrangement with the US-based entity, which had been placed in Chapter 11 bankruptcy proceedings, along with a substantial number of the related-party entities. After finalization of the cooperation agreement, and the court’s sanctioning of the same, on 10 November 2023, the court granted the Commission’s petition for the official winding up of FDM.

Court filings and documents can be found on the Commission’s website.

## Online fraudulent schemes

Within the last few years, the Commission has continued to observe a significant increase in fraudulent schemes online, most recently involving cryptocurrency. As a result of this trend, the Commission has provided the necessary training to the staff, particularly in cryptocurrency analysis, to enhance its capability to analyse on-chain activity. The Enforcement Department’s focus is, where possible, to pursue the prosecution of those responsible for fraudulent schemes.



### Revocation of FCSPA, 2000 licensees not migrating to FCSPA, 2020

With the passing of the Financial and Corporate Services Providers Act, 2020, licensees under the FCSPA, 2000 were required to migrate to the new legislation.

In September 2023, a public notice was issued to inform the public and (former) licensees of the FCSPA, 2000, who had not transitioned to the FCSPA, 2020, that by virtue of the new law, their licenses under the FCSPA, 2000 had been formally revoked.

**Table 24: Enforcement notices issued by the Commission during 2023**

Notice	Issue Date	Link
Public Notice No 6 of 2023 Blackwell Global Investments Limited (Counterfeit websites of SCB regulated person)	22 September 2023	<a href="https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/">https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/</a>
Public Notice No 5 of 2023 Revocation of licences under the Financial and Corporate Service Providers Act, 2020	7 September 2023	<a href="https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/">https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/</a>
Public Notice No 4 of 2023 FMFW LTD (An Unregistered Digital Asset Business)	28 August 2023	<a href="https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/">https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/</a>
Public Notice No 3 of 2023 Entities Not Regulated by the Securities Commission of The Bahamas	28 August 2023	<a href="https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/">https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/</a>
Public Notice No 2 of 2023 Entities Not Regulated by the Securities Commission of The Bahamas	8 May 2023	<a href="https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/">https://www.scb.gov.bs/investor-centre/investor-alerts-and-notices/</a>

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



# Legislation

# Legislative Updates

## Consultation Documents

### Digital Assets and Registered Exchanges (DARE) Bill, 2023

To ensure the regulatory framework for digital assets and registered exchanges remains up-to-date, comprehensive and in line with international standards and best practices, the Commission conducted a review and assessment of the DARE Act 2020 and the growing digital asset space. This review and assessment led to proposed amendments to the DARE Act. The Commission issued the draft proposed amendments to DARE for public consultation on 25 April 2023. The amendments included:

- i. an expansion of activities that fall under digital asset business;
- ii. operational standards for exchanges and
- iii. regulatory framework for stable coins, staking and wallet services, inter alia.

The Bill reflects the Commission's intention to ensure that the DARE framework remains innovative and a reflection of the evolving and emerging trends within the digital asset space.

Consultation period: 25 April 2023–31 May 2023.

### Securities Industry Bill, 2023

The draft Securities Industry Bill seeks to update and overhaul the regulatory regime of the securities industry within the jurisdiction ensuring that the laws as it relates to securities and capital markets are current, competitive and reflect international best practice standards. The Bill establishes a framework that:

- i. updates the current regime for the securities industry to ensure a robust and agile regulatory regime
- ii. complies with IOSCO Objectives and Principles of Securities Regulation, the FATF 40 Recommendations and international best practices
- iii. enhances and encourages new business within the jurisdiction.

The Bill updates the enforcement framework to enable the Commission to respond agilely and efficiently in the event of statutory breaches and establishes a framework for the imposition of sanctions for statutory breaches without a prior hearing. The Bill also updates the current provisions to clarify the Commission's ability to generally access records and request information from regulated persons; to provide the foundation for a framework for voluntary liquidation of marketplaces; and to establish the continued jurisdiction of the Commission after a registration is surrendered.

The Bill addresses various new areas. It introduces a new framework for the supervision of derivatives, it empowers the Commission to declare a digital asset or class of digital assets a security and establishes a regime for the management of systemic risk where relevant and it establishes the offence of "Tipping off".

The draft Bill also solidifies and strengthens the Commission's enforcement framework as it clarifies the Commission's authority to issue directives, separate and apart from its examination and investigation authority. It expressly provides the authority of the Commission to file a criminal complaint. The Bill updates and clarifies the Commission's supervisory authority framework to enable the Commission to address non-compliance through automatic administrative action including to:

- i. levy automatic fines
- ii. order licensees and registrants to take specific actions or to cease and desist specific activities
- iii. access any information needed by the Commission
- iv. attach conditions to the license or registration of a non-compliant licensee or registrant.

The new enforcement framework also requires the publication of penalties including the final decision with reasons and the identity of the person against whom the decision is made.

Consultation period: 29 December 2023–1 March 2024.

### Securities Industry (Amendment) Regulations, 2021

These draft amendments which had previously gone out for consultation will be subsumed into the new Securities Industry Regulations which the Commission anticipates developing once the primary legislation is promulgated.

### Securities Industry (Financial Resources) Rules, 2024

Rules establish the financial resources requirements, and the appropriate calculations thereof, for firms registered under the Securities Industry legislation and include separate financial resource and reporting requirements for contracts for differences firms.

The Rules require that a registered firm maintain adequate financial resources sufficient to meet its business commitments, withstand the risks to which its business is subject, and meet or exceed their adjusted net liquid assets and financial resources at all times. Contract for differences firms are required to have financial resources of \$1,000,000.00 annually, held 50 percent in cash or cash equivalents and 50 percent in liquid assets.



The Rules also outline the Commission's powers to impose enhanced financial resources requirements, issue additional guidance or requirements, and grant variations or exemptions from the requirements of these Rules.

The policies and procedures, which firms must have in place, in relation to meeting their obligations under the Rules, are also provided for.

The FRR, previously issued for consultation 12 March 2021–7 May 2021, will be aligned with the new Securities Industry legislation and promulgated through the normal processes.

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

The International Obligations (Economic and Ancillary Measures) Act (IOEAMA) provides for the application 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 Regulations 2018, the Commission issues notices of United Nations Security Council (UNSC) resolutions, 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 foreign states 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, as well as annual declarations of compliance, as a component of its supervision and onsite examination regimes.

The Commission disseminated 23 IOEAMA UNSC resolution related notices in 2023.

## **Caribbean Financial Action Task Force (CFATF) Update**

The CFATF is a FATF-style regional body (FSRB) that comprises states and territories of the Caribbean Basin, and Central and South America, which 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 (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 has and continues to commit 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.

The Commission completed a Gap Analysis of its AML/CFT framework in preparation for the 5th Round Mutual Evaluations to be scheduled.

## **International Cooperation**

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

The Commission is an Appendix 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 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 the information sharing requirements as set out in the SIA and the terms of the MMoU and/or the EMMoU.

As at 1 January 2023, the Commission had a total of **25** open international requests pursuant to the IOSCO MMoU. Over the course of the year, **11** new requests were received.

**Table 25: IOSCO MMoU requests received during 2023**

Authority	Jurisdiction	New requests received in 2023
Autorités des marchés financiers (AMF)	France	3
Bermuda Monetary Authority (BMA)	Bermuda	1
Comision Nacional Bancaria Y de Valores (CNBV)	Mexico	1
Financial Conduct Authority (FCA)	United Kingdom	1
Financial Sector Conduct Authority (FSCA)	South Africa	1
Financial Services Market Authority (FSMA)	Belgium	1
Ontario Securities Commission (OSC)	Ontario	1
US Securities and Exchange Commission (USSEC)	United States	2
<b>Total</b>		<b>11</b>

During 2023, **19** international requests were closed. The Commission made **1** request of an Overseas Regulator pursuant to the IOSCO MMoU, namely the US Commodity Futures Trading Commission. The Commission received a response to the issued request. As at 31 December 2023, **17** requests for assistance pursuant to the IOSCO MMoU remained open.

# Frequently Used Abbreviations and Terms

AC – Audit Committee  
ADD – Administration Department  
AICPA – American Institute of Certified Public Accountants  
AMERC – Africa/Middle East Regional Committee  
AML/CFT/CPF – Anti-money laundering /Countering the Financing of Terrorism/Countering Proliferation Financing  
BACO – Bahamas Association of Compliance Officers  
BISX – Bahamas International Securities Exchange  
BGS – Bahamas Government Stock  
BRS – Bahamas Registered Stock  
BSHRM – Bahamas Society for Human Resources Management  
CFAL – Colina Financial Advisors  
CFATF – Caribbean Financial Action Task Force  
CGSR – Caribbean Group of Securities Regulators  
CIMA – Chartered Institute of Management Accountants  
Commission, the – Securities Commission of The Bahamas  
CoRI – Compliance and Regulatory Interference  
CPF – Countering Proliferation Financing  
CWG – Caribbean Working Group  
DAB – Digital Asset Business  
DARE – Digital Assets and Regulated Exchanges Act, 2020  
DeFi – Decentralization Finance  
ELLM – Executive Master of Laws  
EMMoU – Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information  
END – Enforcement Department  
ESG – Environmental, Social, and Corporate Governance  
EXD – Examinations Department  
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  
FRR – Financial Resources Rules  
GEMC – Growth and Emerging Markets Committee  
GFSR – Group of Financial Services Regulators  
GFIN – Global Financial Innovation Network  
HRC – Human Resource Committee  
HRD – Human Resources Department  
IAD – Internal Audit Department  
IARC – Inter-American Regional Committee  
IFA, 2019 – Investment Funds Act, 2019  
IFIE – International Forum of Investor Education  
IMF/EO-AMLCTF – International Monetary Fund/Executive Office of Anti Money Laundering and Counter Terrorism Financing  
IOEAMA – International Obligations (Economic and Ancillary Measures) Act  
IOSCO – International Organization of Securities Commissions  
ITD – Information Technology Department  
LSE – London School of Economics and Political Science  
MMoU – Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information  
NAV – Net Asset Value  
OED – Office of the Executive Director  
OFC – Office of the Financial Controller  
OLC – Office of Legal Counsel  
PF – Proliferation Financing  
SCB – the Securities Commission of The Bahamas  
SHRM – Society for Human Resource Management  
SIA – Security Industry Act  
SMART Fund – Specific Mandate Alternative Regulatory Test Fund  
SUD – Supervision Department  
UNSC – United Nations Security Council  
UWI – University of the West Indies



# Financials

# 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 2023 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 2022 are 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 (DARE) Act, 2020 as well as funding from the Government of The Bahamas (the Government).

Total income increased by 26.2%, from \$15.1 million in 2022 to \$19.0 million in 2023. This was fuelled by a \$3.3 million increase in subvention utilised and a \$0.8 million increase in fees. The continued transition of licensees under the FCSPA 2000 to the FCSPA 2020 drove the increase in fee income. The Commission utilised subvention to support expenses for various training initiatives, regulatory meetings, and conferences. These activities encompassed meetings hosted by the Commission in Nassau for various committees of the International Organisation of Securities Commissions. They also included the D3 Bahamas Conference and sponsorship of a five-year licensing agreement between the University of Cambridge and the University of The Bahamas (UB) for a FinTech training course to be provided by UB. As a result, training and conference expenses increased by \$3.6 million, rising from \$0.7 million in 2022 to \$4.3 million in 2023.

The Commission substantially concluded its review of the Digital Assets and Registered Exchanges (DARE) Act, 2020. The DARE Bill was issued for public consultation in April 2023. The DARE bill expanded the digital asset activities under the Commission's regulatory ambit and operational standards for exchanges, among other matters. The Commission also made significant progress on the draft Securities Industry Bill, which was issued for public consultation in December 2023. This Bill fortifies the Commission's sanctioning powers, its ability to access records from licensees and registrants and introduces a framework for supervision of derivatives.

Expenditure related to the update of the DARE Act, 2020 and the SIA were the major contributing factor to the 48.5% increase in professional fees, from \$0.9 million in 2022 to \$1.4 million in 2023. Looking ahead to 2024, the Commission will continue its legislative review, with a renewed focus on the IFA.

## 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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### What we have audited

The Commission's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 IFRS Accounting 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, The Bahamas**

**28 June 2024**

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

**Statement of Financial Position**  
**As at 31 December 2023**  
(Expressed in Bahamian dollars)

	2023 \$	2022 \$
<b>ASSETS</b>		
Cash on hand and at banks	6,723,640	3,311,451
Accounts receivable, net (Note 6)	1,773,240	2,752,293
Prepaid expenses and other assets	313,365	1,026,109
Investments in debt securities (Note 4)	2,787,686	8,636,138
Right-of-use assets (Note 5)	2,019,274	2,359,291
Property and equipment (Note 8)	259,791	487,507
Computer Software (Note 9)	706,722	538,017
<b>Total assets</b>	<b>14,583,718</b>	<b>19,110,806</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	1,504,130	3,993,520
Other liabilities	4,881	25,761
Lease liabilities (Note 5)	2,414,208	2,765,116
Deferred income (Note 10)	2,500	4,110,082
Contribution due to Poinciana SPV Ltd (Note 11)	4,000,000	-
<b>Total liabilities</b>	<b>7,925,719</b>	<b>10,894,479</b>
<b>NET ASSETS</b>	<b>6,657,999</b>	<b>8,216,327</b>
<b>REPRESENTED BY:</b>		
Surplus	2,612,674	4,109,119
Revaluation reserve (Note 12)	(244,675)	(182,792)
Reserve fund (Note 12)	4,170,000	4,170,000
Special purpose reserve (Note 12)	120,000	120,000
	<b>6,657,999</b>	<b>8,216,327</b>

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

  
Chairman

  
Director

  
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 2023 (Expressed in Bahamian dollars)

	2023 \$	2022 \$
<b>INCOME</b>		
Fee income		
Securities industry licensees and registrants	5,878,234	5,694,346
Investment funds	2,368,344	2,357,028
Investment fund administrators and managers	1,095,182	1,157,455
Financial and corporate service providers	2,320,298	1,883,903
Digital assets and registered exchanges	352,066	193,977
Penalties	163,000	104,010
Securities exchange	16,875	16,875
Other	34,375	35,825
Total fee income	12,228,374	11,443,419
Government subvention (Note 10)	3,248,488	-
Interest income	315,589	410,943
Other income (Note 6)	3,218,851	3,211,727
<b>Total income</b>	<b>19,011,302</b>	<b>15,066,089</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 2023 (Expressed in Bahamian dollars) (Continued)

	2023 \$	2022 \$
<b>EXPENSES</b>		
Salaries, wages and employee benefits (Note 13)	7,598,832	7,117,795
Rent (Note 5)	651,256	606,109
Depreciation on right-of-use assets (Note 5)	660,095	598,493
Professional fees	1,376,887	927,153
Office & Computer Expenses	909,963	946,567
Depreciation on property and equipment (Note 8)	412,737	431,817
Training and conferences (Note 14)	4,303,541	697,477
Interest expense on lease liabilities (Note 5)	148,924	168,199
Utilities and property charges	136,180	111,817
Advertising and public relations	33,577	97,930
Repairs and maintenance	68,647	59,209
Membership fees	47,758	42,687
Printing and publications	42,961	33,642
Bank charges	172,697	105,151
Investor education	117,003	43,158
Provision for/(recovery of) expected credit losses (Note 6)	201,741	(173,892)
Licensee liquidation proceedings (Note 6)	2,368,041	3,148,195
Miscellaneous	8,419	6,971
<b>Total expenses</b>	<b>19,259,259</b>	<b>14,968,478</b>
<b>Net (loss)/income</b>	<b>(247,957)</b>	<b>97,611</b>
<b>Other comprehensive (loss)/income</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	(61,883)	15,028
<b>Total comprehensive (loss)/income</b>	<b>(309,840)</b>	<b>112,639</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 2023 (Expressed in Bahamian dollars)

	Surplus \$	Revaluation Reserve \$	Reserve Fund \$	Special Purpose Reserve \$	Total \$
<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 Poinciana SPV Ltd. (Note 11)	-	-	-	-	-
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>
<b>Balance as at 1 January 2023</b>					
Net loss	(247,957)	-	-	-	(247,957)
Other comprehensive loss	-	(61,883)	-	-	(61,883)
Total comprehensive loss	<u>(247,957)</u>	<u>(61,883)</u>	<u>-</u>	<u>-</u>	<u>(309,840)</u>
Transfer to Poinciana SPV Ltd. (Note 11)	(1,248,488)	-	-	-	(1,248,488)
Total transfers	<u>(1,248,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,248,488)</u>
<b>Balance as at 31 December 2023</b>	<b><u>2,612,674</u></b>	<b><u>(244,675)</u></b>	<b><u>4,170,000</u></b>	<b><u>120,000</u></b>	<b><u>6,657,999</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 2023

(Expressed in Bahamian dollars)

	2023 \$	2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)/income	(247,957)	97,611
Adjustments for:		
Interest income	(315,589)	(410,943)
Depreciation on property and equipment (Note 8)	412,737	431,817
Depreciation on right-of-use assets (Note 5)	660,095	598,493
Interest expense on lease liabilities (Note 5)	148,924	168,199
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable, net	979,053	(2,090,491)
Decrease/(increase) in prepaid expenses and other assets	712,743	(995,154)
(Decrease)/increase in accounts payable and accrued expenses	(2,489,390)	2,498,670
Decrease in other liabilities	(20,880)	(273,230)
(Decrease)/increase in deferred income	(1,356,070)	2,078,075
Interest received	333,858	401,899
<b>Net cash (used in)/provided by operating activities</b>	<b>(1,182,476)</b>	<b>2,504,946</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of debt securities	5,708,600	-
Gain on redemption of debt securities	59,700	-
Purchase of debt securities	-	(708,600)
Purchase of property and equipment (Note 8)	(185,021)	(36,355)
Software development costs	(168,705)	(538,017)
<b>Net cash used in investing activities</b>	<b>5,414,574</b>	<b>(1,282,972)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of right-of-use assets	(320,077)	(43,543)
Interest paid on lease liabilities	(148,924)	(168,199)
Principal paid on lease liabilities	(350,908)	(522,415)
<b>Net cash used in financing activities</b>	<b>(819,909)</b>	<b>(734,157)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,412,189</b>	<b>487,817</b>
Cash and cash equivalents as at beginning of year	<b>3,311,451</b>	<b>2,823,634</b>
<b>Cash and cash equivalents as at end of year</b>	<b>6,723,640</b>	<b>3,311,451</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>Cash on hand and at banks</b>	<b>6,723,640</b>	<b>3,311,451</b>

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



# Securities Commission of The Bahamas

## Notes to the Financial Statements 31 December 2023

### 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. Material 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 IFRS Accounting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC Interpretations) 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.

## 2. Material Accounting Policies (Continued)

### (b) Changes in applicable accounting policies

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

With the exception of IAS 1 Disclosure of Accounting Policies – Amendments to IAS 1 and - IFRS Practice Statement 2 - Making Materiality Judgements; and IAS 8 Definition of Accounting Estimates – Amendments to IAS 8, standards and amendments and interpretations to published standards that became effective for the Commission's financial year beginning on 1 January 2023 were not relevant or not significant to the Commission's operations and accordingly did not impact the Commission's accounting policies or financial statements.

#### **Disclosure of Accounting Policies – Amendments to IAS 1**

The Commission adopted the amendment to IAS 1 on 1 January 2023. The adoption requires the Commission to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in the Commission's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

#### **IFRS Practice Statement 2 - Making Materiality Judgements**

The Commission adopted the amendment to IFRS Practice Statement 2 on 1 January 2023. The amendment by the IASB was to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

#### **Definition of Accounting Estimates – Amendments to IAS 8**

The Commission adopted the amendments to IAS 8 on 1 January 2023. The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

## 2. Material Accounting Policies (Continued)

### 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 ended 31 December 2023 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 and at banks and term deposits with banks with original contractual maturities of three months or less from the date of acquisition.

### (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.

## 2. Material Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

##### *Classification (continued)*

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.

##### *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.



## 2. Material Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

##### *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.

##### *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.

## 2. Material Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

##### *Measurement (continued)*

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.

##### *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 17:

- 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

## 2. Material Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### i) Financial assets (continued)

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

- 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.

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. Material 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.

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.



## 2. Material Accounting Policies (Continued)

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

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.

### (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.

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2023

(Continued)

### 2. Material Accounting Policies (Continued)

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

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.

#### (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.

## 2. Material Accounting Policies (Continued)

### (j) Leases (continued)

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.

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 leases, 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.

## 2. Material Accounting Policies (Continued)

### (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.

### (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 Commission'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 17.

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 17.

### 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 2023

(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.

Investments in debt securities are as follows:

	2023	2022
	\$	\$
<u>Stage 2 - ECL</u>		
<u>Level 2</u>		
Debt securities at FVOCI	2,755,325	8,525,808
Accrued interest	<u>32,361</u>	<u>110,330</u>
<b>Total investments in debt securities</b>	<b><u>2,787,686</u></b>	<b><u>8,636,138</u></b>

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2023

(Continued)

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

##### *Bahamas Government Registered Stock*

Maturity Date	Interest Rate	2023		2022	
		Nominal Value	Fair Value \$	Nominal Value	Fair Value \$
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
15-Oct-38	5.00%	1,000,000	920,639	1,000,000	919,503
21-Apr-40	5.30%	425,900	400,904	425,900	399,137
21-Apr-50	5.69%	1,574,100	<u>1,433,782</u>	1,574,100	<u>1,433,064</u>
<b>Total investments in debt securities at FVOCI</b>			<b><u>2,755,325</u></b>		<b><u>8,525,808</u></b>

#### 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:

	2023 \$	2022 \$
<b>Right-of-use assets</b>		
Office space	1,951,058	2,331,392
Vehicles	45,146	27,899
Office equipment	23,070	-
	<b><u>2,019,274</u></b>	<b><u>2,359,291</u></b>

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2023

(Continued)

### 5. Leases (Continued)

For the year ended 31 December 2023, there were no direct costs incurred by the Commission upon entering a lease.

	2023	2022
	\$	\$
<b>Lease liabilities</b>		
Current	754,979	601,200
Non-current	1,659,229	2,163,916
	<u>2,414,208</u>	<u>2,765,116</u>

The IBRs applied to the lease liabilities of the office space, office equipment and vehicles are 5.5%, 6.5% 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:

	2023	2022
	\$	\$
Depreciation on right-of-use assets	660,095	598,493
Interest expense on lease liabilities	148,924	168,199
	<u>809,019</u>	<u>766,692</u>

The total cash outflow for leases in 2023 was \$819,909 (2022: \$734,157).

### 6. Accounts Receivable

	2023	2022
	\$	\$
Investment funds and investment fund administrators	126,846	21,703
Financial and corporate service providers	148,322	111,775
Securities industry licensees and registrants	402,736	104,462
Other	<u>1,489,686</u>	<u>2,706,962</u>
	2,167,590	2,944,902
Allowance for expected credit losses	<u>(394,350)</u>	<u>(192,609)</u>
<b>Total accounts receivable, net</b>	<u>1,773,240</u>	<u>2,752,293</u>



# Securities Commission of The Bahamas

## Notes to the Financial Statements 31 December 2023 (Continued)

### 6. Accounts Receivable (Continued)

Movements in the allowance for expected credit losses comprise:

	2023 \$	2022 \$
As at 1 January	192,609	366,501
Provision/(recovery of) for expected credit losses	201,741	(173,892)
Bad debts written off	-	-
<b>As at 31 December</b>	<b>394,350</b>	<b>192,609</b>

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

As at 31 December 2023	0 to 90 days \$	91 to 180 days \$	181 to 270 days \$	271 to 360 days \$	Over 360 days \$	Total \$
Gross carrying amount	1,364,904	205,735	262,055	129,516	205,380	2,167,590
Allowance for expected credit losses	85,755	27,548	-	107,065	173,982	394,350

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

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.

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2023

(Continued)

### 6. Accounts Receivable (Continued)

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, 2023, the Commission has incurred \$2,368,041 (2022: \$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 \$1,280,302 (2022: \$2,985,801), out of funds posted as security for FDM's licensure and has recorded a receivable of \$1,280,302 (2022: \$2,566,080) within the statement of financial position.

### 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 2023 and 2022.

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.

## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2023

(Continued)

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

<b>Summary Statement of Financial Position</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Current assets	3,881,546	2,572,905
Investment property	26,467,158	19,148,035
<b>Total assets</b>	<b>30,348,704</b>	<b>21,720,940</b>
Current liabilities	765,201	897,427
Borrowings	16,325,000	13,035,174
<b>Total liabilities</b>	<b>17,090,201</b>	<b>13,932,601</b>
Share capital	2	2
Contributed capital	15,068,603	9,568,602
Accumulated deficit	(1,810,102)	(1,880,265)
<b>Total equity</b>	<b>13,258,503</b>	<b>7,688,339</b>
<b>Total liabilities and equity</b>	<b>30,348,704</b>	<b>21,620,940</b>
<b>Summary Statement of Comprehensive Income</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Total income	2,309,287	2,124,782
Total expenses	(2,262,470)	(1,757,461)
<b>Net comprehensive income</b>	<b>46,817</b>	<b>367,321</b>

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2023

(Continued)

### 8. Property and Equipment

	Computer Equipment \$	Furniture and Fittings \$	Leasehold Improvements \$	Art Work \$	Total \$
<b>For the year ended 31 December 2023</b>					
<b>Cost</b>					
1 January 2023	2,683,174	761,519	57,163	29,178	3,531,034
Additions	166,912	18,109	-	-	185,021
Disposals	-	-	-	-	-
<b>31 December 2023</b>	<b>2,850,086</b>	<b>779,628</b>	<b>57,163</b>	<b>29,178</b>	<b>3,716,055</b>
<b>Accumulated depreciation</b>					
1 January 2023	2,380,094	617,701	45,732	-	3,043,527
Depreciation expense	263,168	138,138	11,431	-	412,737
Disposals	-	-	-	-	-
<b>31 December 2023</b>	<b>2,643,262</b>	<b>755,839</b>	<b>57,163</b>	<b>-</b>	<b>3,456,264</b>
<b>Net book value as at 31 December 2023</b>	<b>206,824</b>	<b>23,789</b>	<b>-</b>	<b>29,178</b>	<b>259,791</b>
<b>For the year ended 31 December 2022</b>					
<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>



## Securities Commission of The Bahamas

### Notes to the Financial Statements

31 December 2023

(Continued)

#### 9. Computer Software

Computer software comprises:

	<b>Total</b>
	<b>\$</b>
<b>Cost</b>	
Balance as at 1 January 2023	538,017
Additions	<u>168,705</u>
<b>Balance as at 31 December 2023</b>	<b><u>706,722</u></b>
<b>Accumulated amortisation</b>	
Balance as at 1 January 2023	-
Amortisation expense	<u>-</u>
<b>Balance as at 31 December 2023</b>	<b><u>-</u></b>
<b>Net book value as at 31 December 2023</b>	<b><u>706,722</u></b>
<b>Cost</b>	
Balance as at 1 January 2022	-
Additions	<u>538,017</u>
<b>Balance as at 31 December 2022</b>	<b><u>538,017</u></b>
<b>Accumulated amortisation</b>	
Balance as at 1 January 2022	-
Amortisation expense	<u>-</u>
<b>Balance as at 31 December 2022</b>	<b><u>-</u></b>
<b>Net book value as at 31 December 2022</b>	<b><u>538,017</u></b>

During 2023, the Commission capitalized computer software costs of \$168,705 (2022: \$538,017) in relation to the development of a data warehouse system. As at 31 December 2023 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 2023

(Continued)

### 10. Deferred Income

	2023 \$	2022 \$
Government subvention	-	4,000,000
Securities industry licensee and registrant fees	-	86,750
Financial and corporate service provider fees	2,500	23,332
<b>Total deferred income</b>	<b>2,500</b>	<b>4,110,082</b>

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

Movements in Government subvention comprise:

	2023 \$	2022 \$
As at 1 January	4,000,000	2,000,000
Government subvention received	2,000,000	2,000,000
Government subvention utilized – operations	(3,248,488)	-
Government subvention utilised – transfer to Poinciana SPV Ltd	(2,751,512)	-
<b>As at 31 December</b>	<b>-</b>	<b>4,000,000</b>

### 11. Contribution due to Poinciana SPV Ltd

In July 2023, the Ministry of Finance directed the Commission to contribute \$4,000,000 of its unused subvention to Poinciana SPV Ltd. The Commission allocated unused subvention of \$2,751,512 and accumulated surplus of \$1,248,488 to the contribution due.

### 12. 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 2023

(Continued)

#### 12. 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. The reserve fund as at 31 December 2023 totaled \$ 4,170,000 (2022: \$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:

	2023	2022
	\$	\$
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>

#### 13. Employee Benefits

Pension costs recognised in the statement of comprehensive income in the current year totaled \$ 408,475 (2022: \$371,369). 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 \$31,150 (2022: \$19,521) 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 2023, the Commission employed 94 (2022: 89) persons.

# Securities Commission of The Bahamas

## Notes to the Financial Statements

31 December 2023

(Continued)

### 14. Training and Conferences

Throughout 2023, the Commission conducted several non-recurring training initiatives, meetings and conferences. These included meetings of committees of the International Organisation of Securities Commissions, the D3 Bahamas Conference and obtaining licenses from University of Cambridge for the University of The Bahamas to conduct Fintech training courses.

### 15. 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:

	2023	2022
	\$	\$
<i>Assets</i>		
Cash at banks	3,695,062	2,030,273
Accounts receivable	191,921	34,375
Prepaid expenses and other assets	18,145	1,260
Investments in debt securities	2,817,208	8,636,138
Right-of-use assets – SPV	1,951,058	2,331,392
<i>Liabilities</i>		
Accounts payable and accrued expenses	4,328	6,750
Other liabilities - due to the Compliance Commission	4,881	25,762
Lease liabilities – SPV	2,414,208	2,765,116
<i>Income</i>		
Interest income	375,289	410,943
Other income	92,400	92,400
<i>Expenses</i>		
Depreciation on right-of-use assets - SPV	594,420	582,848
Interest expense on lease liabilities - SPV	143,964	166,982
Utilities and property charges	85,586	61,121

Compensation of key management personnel for the year ended 31 December 2023 comprised \$815,663 (2022: \$738,880) for salaries and other short-term benefits and \$41,075 (2022: \$40,184) for pension benefits.



## 16. 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.

### *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.

## 17. 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 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 in 2022, 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.

## 17. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### *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 2023 (2022: 36 months before 31 December 2022) 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.

### (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 2023, all of the Commission's accounts payable and accrued expenses and other liabilities are repaid within one year.

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

##### (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.

#### 18. 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.

#### 19. 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.

#### 20. Subsequent Events

Subsequent to 31 December 2023:

- 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 received a court order dated 22 January 2024 discharging the Commission as trustee of the digital assets of FDM and authorizing the Commission to transfer the digital assets to the custody and control of FDM, acting by its joint official liquidators (JOLs) or at the direction of its JOLs. As of 22 April 2024, all of the assets were transferred in accordance with the instructions of the JOLs and are now within the remit of the JOLs.









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