



**FINANCIAL SERVICES
COMMISSION**

GLOBAL BUSINESS REGULATORY UPDATE
Key Updates of Importance to the Global Business Sector

Warrick Ward - CEO
Financial Services Commission

INTRODUCTION

- FSC recognises the dynamic environment in which entities operate and the ever-changing demands of global standard-setting bodies
- FSC is committed to being proactive and creating a regulatory framework/environment that is conducive to innovation and growth
- FSC welcomes opportunity to provide key updates to the global business sector and is committed to availing itself of opportunities to listen to and consider the views of stakeholders

Role of the FSC

- FSC created to supervise and regulate non-bank financial entities. In so doing, endeavours to promote stability, public awareness and instil public confidence in the operations of financial institutions
- FSC issues guidelines, establishes standards for institutional strengthening and monitors the entities to ensure that their operations are compliant with the outlined parameters
- FSC's emphasis is to ensure that the regulatory framework is transparent, predictable, and responsive.

Key Updates - What the FSC is Doing?

I. Developing Guidelines to:

- Bring improved clarity and strength to the industry
- Promote sound and efficient management
- Protect the interest of members and depositors
- Enhance financial stability of the sector, essential for ensuring sound performance, sustainability, and economic stability
- Ensure compliance with applicable laws and regulations

Key Updates - What the FSC is Doing?

Corporate Governance Guideline (Issued-Not Yet Gazetted)

- Outlines requirements specifically for NB-SIFIs
- Introduces requirements for independent directors to be on the boards of FIs where appropriate
- Provides requirements related to Board committees where such committees are established or required
- Requires periodic Board assessments of its performance
- One-third (1/3) of the Board must be independent - suitable balance of independence, diversity of thought and background to enable it to make decisions

Key Updates -What the FSC is Doing?

Economic Substance Guideline

- Entities captured by the Economic Substance Act, 2019
 - Companies which undertake insurance business in or from Barbados as an insurer, in both the life and non-life sectors, including reinsurance. Insurance Intermediaries such as insurance managers are therefore not captured
- Core Income Generating Activities (“CIGA”)
 - activities that are of central importance to a resident company in terms of generating income and must be carried on in Barbados

Key Updates - What the FSC is Doing?

Economic Substance Guideline Cont'd

- Guideline is instructive and not intended to be onerous
- It will require certain entities to maintain full and proper records of the business activities of an insurer which will enable it to:
 - explain its transactions
 - disclose at any time its state of affairs
 - prepare annual financial statements

Key Updates - What the FSC is Doing?

Guidelines in Progress (Consultation Feedback Received)

- Fitness & Propriety
- Technology and Cyber Risk Management
- Non-Banking Systemically Important Financial Institutions

Guidelines in Progress (Submitted for Consultation)

- Material Change

Key Updates - What the FSC is Doing?

Guidelines in Progress

Draft Completed

- Market Conduct
- Risk Management & Internal Controls
- Business Continuity and Resilience

Being Drafted

- Internal Capital Adequacy

To be Drafted

- Repurchase Agreements (REPOs)
- Custodial Duties and Relationships

Key Updates - What the FSC is Doing?

Securities

- Disclosure Requirements in Mutual Fund Sector
- Collateralised Debt Obligations

Key Updates - What the FSC is Doing?

II. Providing Guidance to Insurance Sector re IFRS 17

- IFRS 17 Questionnaire
- Quantitative Impact Survey (QIS)
- Review of Legislation
- Review of Regulatory Framework
- Review of Policies
- Capacity Building

Key Updates - What the FSC is Doing?

III. Making Policy Recommendations for Legislative Changes

Insurance Act, Cap. 310

Overarching Policy Objective

To facilitate risk-based capital and solvency requirements which correlate with the proposed revised regime for statutory funds to ensure that insurers are capitalised and solvent

Key Updates - What the FSC is Doing?

III. Making Policy Recommendations for Legislative Changes

IOSCO

- In keeping with FSC's intention to incorporate international best practices into its regulatory framework, efforts are being made to prioritise becoming a signatory A to the IOSCO MMOU. This requires changes to the FSC and Securities Acts. The review of the proposed changes is currently underway
- IOSCO MMOU is recognised globally as the instrument securities regulators use to ensure effective regulation. It is anticipated that it will strengthen international enforcement efforts and promote financial transparency in Barbados

Key Updates - What the FSC is Doing?

III. Making Policy Recommendations for Legislative Changes

Mutual Funds

- FSC is reviewing the current legislative framework to modernise its approach to the regulation of mutual funds
- Proposed amendments will seek to expand the regulatory regime to cater to the idiosyncrasies of different fund structures, propose additional prudential requirements with respect to internal controls and apply a risk-based capital requirement

Key Regulatory Concerns for 2023/24

- Climate & Sustainability
- Transparency and Reporting
- Data & Cyber Security
- Technology and Resilience
- Credit and Capital
- Scrutiny & Divergence
- Fraud & Financial Crime
- Fairness & Inclusion
- Risk and Governance
- Economic & Political

Non-bank Financial Sector

No. of Corporate Bodies & Financial Services Products by Sector
(as at March 31, 2023)

| Credit Unions | Insurance | Occupational Pensions Funds | Securities (including Funds) |
|---------------|-----------|-----------------------------|------------------------------|
| 28 | 416 | 251 | 98 |

Non-bank Financial Sector Performance by Numbers (as at March 31, 2023)



FSC's Commitment

With responsibility for such a diverse group of entities and individuals across four (4) sectors, FSC is committed to:

- adapting the regulatory framework to keep pace with rapid advancement of technology, including AI, big data analytics, blockchain, and digital currencies, as these will significantly impact the financial industry
- investing in technology infrastructure and expertise to effectively monitor and supervise digital financial services, cyber security and data privacy
- prioritising risk management and mitigation strategies to safeguard stability of the financial system.
- emphasising forward-looking and proactive supervision, focusing on emerging risks such as cyber threats, climate change-related risks and technological disruptions
- continuing to collaborate with other regulatory agencies and international counterparts to share information and coordinate risks in managing cross-border risks

Conclusion

- Overall, FSC's future state will see a balance between fostering innovation, managing risks and ensuring stability and consumer protection.
- FSC intends to be agile and responsive to the evolving landscape of the financial industry
- Ultimately the goal is to effectively fulfil our mission of safeguarding the integrity and stability of the financial system and fostering sustainable growth

THE END