



**FINANCIAL SERVICES
COMMISSION**

Material Changes Disclosure Guideline

POST CONSULTATION PAPER

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Post Consultation Paper

The Financial Services Commission of Barbados (the “Commission”), as the regulator of non-banking financial services in Barbados, will, from time to time, in accordance with the Financial Services Commission Act, 2010-21 issue guidelines that apply to financial institutions which the Commission (the “Commission) regulates. The rationale for the guideline and subsequent consultation paper was circulated to the industry for comments in June 2021.

The period for submitting comments has ended, and the Commission has reviewed the comments received. The attached document includes a summary and the Commission’s response to the comments. The guidelines have been finalized, and they, along with the Guideline’s Application guide and post-consultation document, will be posted on the Commission’s website.

For questions related to the guidelines, kindly submit info@fsc.gov.bb.

GUIDELINE – MATERIAL CHANGES DISCLOSURE POST CONSULTATION PAPER

The Material Changes Disclosure Guideline was circulated to the non-banking financial services industry in May 2021. The Guideline is being issued pursuant to section 53 of the Financial Services Commission Act, 2010-21, which permits the Commission to issue guidelines for, among other things, establishing standards for promoting international standards and best practices. The guideline promotes disclosure standards for material changes within financial institutions. The Material Change Disclosure Guideline is accompanied by an Application Guide to provide explanatory information and clarity to the Material Changes Disclosure Guideline. The Application Guide does not form part of the Material Changes Guideline.

In its applicability, the Material Changes Disclosures Guideline is intended to ensure that all financial institutions licensed or registered with the Financial Services Commission can promptly identify, monitor, and report notable changes that may impact their operations, fitness, propriety, governance, and financial status.

Where material changes are outlined in legislation, financial institutions must comply with the statutory obligations as legislated.

The guideline applies to financial institutions licensed and registered with the Financial Services Commission.

Below is a summary of substantive comments and the Commission's response. The Commission appreciates the meaningful feedback from the industry on this consultation and looks forward to further engagement as entities file their material change reports.

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Section	Reference	Industry feedback	Commission's response
1. Material Change	1.1	Recommendations were submitted for explicitly defining “material change” and “significant” and distinguishing between material change disclosure requirements pursuant to legislation and disclosure requirements for regulatory purposes.	<p>The guideline explains the term “material change” regarding the circumstances requiring disclosure. It does not replace the meaning of “material change” where that term is defined explicitly in any of the specified enactments.</p> <p>The Commission does not propose to define “significant” at this time. What is significant for one entity may be immaterial to another. Financial institutions should assess the potential impact of the change and determine whether it is “significant.”</p>
2. Timing of Notification of Changes	2.1	Recommendations were submitted for clarification, and a definition to be given for matters classified as having “serious regulatory impact.”	To determine matters likely to have regulatory severe impact, the Commission encourages the sector to consider the severity of any such incidents or occurrences past or likely to occur in the future and the probability of these occurrences impacting their reputation, financial soundness, or service to their customers.
	2.2, 2.3	Submissions were received that the deadlines given for reporting material changes categorised as either event-based or foreseeable were too short and could be impractical. The sector requested that the Commission be time-sensitive in its response to the sector where it is required to obtain written confirmation from the Commission in incidents that it had no objection to certain planned material changes. Additionally, recommendations were made for a list of material changes requiring no objections to be provided by the Commission.	<p>The timelines are intended to support timely disclosure and provision of information and, where necessary, feedback regarding significant changes. As such, the timelines indicated in the guideline remain unchanged.</p> <p>The Commission will seek to provide timely responses to the sector.</p>

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	2.5	A query was posed regarding the types of regulatory or enforcement actions that the FSC may take for breach of a disclosure requirement.	The FSC may take various actions to address failures to comply with guidelines or the legislation. These are generally outlined in the legislation and include issuing directives, undertaking inspections of entities, and, where appropriate, suspending licences or registration.
6. Shareholding of a Financial Institution	6.1	Recommendations were received to simplify the percentage range where a shareholder holds significant interest, new or existing.	<p>A financial institution is required to seek the Commission's prior approval when any person proposes to acquire a significant interest in an FI directly or indirectly. "Indirectly" refers to beneficial ownership.</p> <p>The percentages are based on the legislation and consistent with previous guidance provided via Regulatory Reminders to the industry.</p>
8. Fitness and Propriety	8.1, 8.2	Submissions were received for guidance to be provided to the sector on monitoring their key persons, the frequency of such monitoring, and the timelines for the sector to report to the Commission.	<p>The Commission refers the sector to the Circular "Fitness and Propriety" issued by the Commission, Section 2, for general guidance. The circular outlines the timing and assessment criteria applicable to key persons of financial institutions and individuals registered and/or licensed with the Commission.</p> <p>The frequency of the monitoring may also be informed by the institution's internal fit and proper requirements.</p>
9. Operations	vi	Comments were received for the Commission to advise on the threshold for disclosing outsourced arrangements and the extent to which services provided by an affiliate of the financial entity should be disclosed.	Where financial institutions outsource services central to their core business services, activities, or product offerings, the Commission regards this as a material change that necessitates disclosure.