

The 2013 Handbook of the Code of Ethics (Code of Ethics) for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) sets out the principles defining a Public Interest Entity (PIE). Further, the Code of Ethics encourages consideration of other categories of entities that should be designated as PIEs based on a large number and wide range of stakeholders.

The designation of PIEs is principles based and requires greater consideration and definition by the Bahamas Institute of Chartered Accountants (BICA) to ensure consistency and establish those audit firms and practitioners that are subject to greater oversight and regulation, including peer reviews.

Set out below is the proposed definition of PIEs to be adopted by BICA and communicated to financial service and other regulators for consideration of adoption in legislation, regulation or guidelines. The definition is based on the Code of Ethics issued by IESBA and annotated [in green] by BICA for the purpose of defining PIEs.

Extract from Code of Ethics

Public Interest Entities

290.25 Section 290 contains additional provisions that reflect the extent of public interest in certain entities. For the purpose of this section, public interest entities are:

- (a) All listed entities; and
[Includes all entities with securities listed on a recognised securities exchange, e.g. Bahamas International Securities Exchange, for trading purposes.]
- (b) Any entity:
 - (i) Defined by regulation or legislation as a public interest entity; or
[Legislation governing financial services and other regulated industries in the Commonwealth of The Bahamas (The Bahamas) do not currently define Public Interest Entities (PIEs). However, there are classes of entities under each law and regulation for various industries that provide guidance on types of entities that should be considered for designation as PIEs. See below for consideration of entities to be designated as PIEs.]
 - (ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation may be promulgated by any relevant regulator, including an audit regulator.
[Currently, there is no regulation or legislation that explicitly requires an audit to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. However, there are also no additional independence requirements for listed entities in The Bahamas.]

290.26 Firms and member bodies are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples may include financial institutions, such as banks and insurance companies, and pension funds;
[See below for expansion of definition in The Bahamas based on financial service and other legislation and regulation.]
- Size; and
- Number of employees.”

[In The Bahamas, the financial services industries are regulated by the Central Bank of The Bahamas (banks and trust companies); the Securities Commission of The Bahamas (capital markets, including listed entities, investment funds and other entities available to the general public); and the Insurance Commission of The Bahamas (insurance companies and intermediaries). Further, the telecommunications industry is regulated by the Utilities Regulation and Competition Authority (providers of communications services).

The following definitions are proposed to be defined as PIEs.

Banks and Trust Companies (the Banks and Trust Companies Regulation Act, 2000)

- All **public licensees, designated as “Resident” for foreign exchange control purposes**. Public licensees are as defined as a public bank and/or trust company, which is permitted to carry on banking and/or trust business with members of the public. This category includes authorised dealers, authorised agents and other public licensees.
- Public licensees, designated as “Resident” for foreign exchange control purposes, that restrict their service offerings to high net worth individuals **are not deemed PIEs**.
- The Central Bank of The Bahamas publishes its list of banks and trust companies licensed under the above category on a quarterly basis.

Investment Funds and Related Entities (the Securities Industry Act, 2011 and the Investment Funds Act, 2003)

- All **standard funds** as defined as an investment fund that does not satisfy the requirements of a professional fund, a SMART fund or a recognised foreign fund.
- The Securities Commission of The Bahamas publishes its list of funds registered licensed under the above category on an annual basis.
- Certain entities provide services to standard funds and are regulated by the Securities Commission of The Bahamas (the SCB) and require audited financial statements to be filed with the SCB. However, it is those charged with governance of standard funds that should be making the selection of service providers and investors in standard funds are not directly relying upon the audited financial statements of the service providers. Accordingly, **service providers are not deemed PIEs**.

Insurance Entities (the Insurance Act, 2005 and the External Insurance Act, 2009)

- All companies, whether established within or outside The Bahamas, that carry on within The Bahamas insurance business. Insurance business is defined as: the assumption of the obligations of a company in any class of insurance business; the assumption of the business of insuring risk or liabilities; the renewal and issuing of documents of renewal of existing insurances and liabilities; the receiving of first, subsequent or renewal premiums including reinsurance; reinsurance business; and pensions business and other business directly connected to insurance business.
- In addition, all companies whether established within or outside The Bahamas that carry on unrestricted insurance business outside The Bahamas. Insurance business is defined as: protecting persons against loss or liability to loss in respect to risks to which such persons may be exposed; and to pay to a person a sum of money or other thing of value upon the happening of an insurable event, and includes running-off insurance business including settlement of claims.

- Specifically, the following companies are deemed PIEs: general insurance companies, long-term insurance companies and unrestricted external insurance companies.
- The Insurance Commission of The Bahamas publishes its list of companies licensed under the above categories on an annual basis.
- There are various insurance intermediaries, defined as a broker, agent, sub-agent, adjuster, risk manager, consultant, or such other persons who give advice by way of directly offering, advertising or on a person-to-person basis in respect of an insurance product and includes the promotion of such product or the facilitation of an agreement or contract between an insurer and a customer. These entities provide services to insurance companies and the members of the public and are regulated by the Insurance Commission of The Bahamas (the ICB); and are required to file audited financial statements with the ICB. However, it is those charged with governance of insurers, i.e. insurance companies responsible for protecting policyholders, that should be making the selection of insurance intermediaries and members of the public are not directly relying upon the audited financial statements of the insurance intermediaries. Accordingly, **insurance intermediaries are not deemed PIEs.**
- **Captive external insurance companies and other restricted external insurance companies are not deemed PIEs.**

Pension Funds

- Currently, only multi-employer pension funds are deemed PIEs.
- There is currently no registry of multi-employer pension funds.

Other Entities Defined Under the Securities Industry Act, 2011

- All **public issuers**, as defined in the Securities Industry Act, 2011. Specifically, a public issuer is one that does not limit the number of holders of securities to less than fifty (50) beneficial owners; and has its securities traded on a registered marketplace.
- On a daily basis, the local gazettes publish securities being traded in recognised over-the-counter markets. Specific request can be made to the SCB for listing of all registered marketplaces.
- The Bahamas International Securities Exchange is a registered marketplace and is covered by the primary definition of PIE in 290.25 of the Code of Ethics.

Government Related Entities

- Large, highly visible government related entities are deemed PIEs.

Others

Other regulated entities, such as those in the communications industry, are being regulated for consumer price protection. These entities do not hold assets in any fiduciary capacity. **Accordingly, these entities are not deemed PIEs.]**