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Bahamas

Accounting

FUNDS AND FUND MANAGEMENT 2009

1.1 Requirement to produce financial statements

Requirement to maintain the books and records in the local jurisdiction

In accordance with the Investment Funds Act, 2003 (the Act) an investment fund is required to keep proper books of account, records, and documents sufficient to:

- explain transactions and disclose the financial position at any point in time; and
- fairly present in all material respects the financial position, results of operations, changes in owners' equity, and cash flows.

Where the principal office of a self-administered fund is outside of The Bahamas, the fund must at all times have a place in The Bahamas where duplicate corporate and accounting records are available.

An investment fund must maintain a register of investors and a current copy of the register of investors must be kept at the principal office of the investment fund. In the case of a restricted investment fund administrator whose place of business is outside of The Bahamas, a current copy of the register of investors must be available at a place in The Bahamas where corporate and accounting records are available.

An investment fund administrator must take all reasonable steps to ensure that the investment fund maintains proper books and records.

If requested to do so by the Commission, a party related to an investment fund must give the Commission access to, or provide at any reasonable time, all records relating to the investment fund.

All documents submitted to the Commission or required by them and all documents and records of the investment fund that are kept or maintained by the investment fund administrator must be in English or accompanied by a certified translation in English.

Production of financial statements by collective investment funds

Except when exempted, a licensed investment fund must have its financial statements audited annually by an auditor approved by the Commission and must send them to the licensor within four months of that financial year or within such extension of the period as the Commission may allow.

An investment fund administrator must take all reasonable steps to ensure that audited financial statements for the financial year are available for each investor within four months of the end of the investment fund's financial year or within such extension of that period as approved by the Commission.

Where the licensor is the investment fund administrator and the fund has failed to submit its audited financial statements within the specified time, the administrator must advise the Commission of such failure immediately.

The operator of a fund must ensure that it is audited annually or as required and cooperate with the auditors.

The auditors appointed to an investment fund (or an investment fund administrator) must be approved by the Commission.

The Act does not stipulate who has to sign the financial statements, however in the case of a company usual practice dictates that they are approved by two directors, or in the case of a unit trust by the trustee.

In addition to audited financial statements, unless exempted by the Commission in writing, an investment fund must produce a report containing an analysis of the fund's performance and such other information as the Commission deems necessary at least annually.

Choice of period/year-end for collective investment funds

The specific format of the financial statements is not specified under the Act, however the audited financial statements must show the financial position and the results of its operations, changes in owners' equity and its cash flow. The investment fund may choose any date for the year-end.

Requirements for comparatives

Since the Act does not stipulate the specific format of financial statements, generally accepted accounting standards are applied. These typically require that comparative information be presented.

Restrictions on the currency under which financial statements must be prepared

The base currency must be disclosed in the constitutive documents of the fund, however there are no restrictions on the currency in which the financial statements are prepared.

Accounting publications specific to the funds industry (as issued by accounting bodies or the regulators)

For funds that are listed on the Bahamas International Securities Exchange (BISX), the requirements relating to financial statements, (in addition to any requirements of the Investment Funds Act, 2003), are as follows.

The investment fund must prepare and publish annual financial statements. The first set of published annual financial statements must be in respect of a period not exceeding 18 months from the first date of issue of the securities in the investment fund. The annual financial statements must:

- have been prepared in accordance with International Financial Reporting Standards, United States, United Kingdom, or Canadian generally accepted accounting principles or other standards acceptable to the exchange;
- have been independently audited and reported on in accordance with International Standards on Auditing or other standards acceptable to the exchange;
- in the case of a sub-fund, comprise the financial statements for the umbrella fund as a whole, including all sub-funds thereof;
- where the investment fund has subsidiary undertakings, be in consolidated form, unless the exchange otherwise agrees;
- be published as soon as possible after the accounts have been approved and in any event within six months of the end of the period to which they relate. In exceptional circumstances the exchange will grant an extension to this time limit;
- be sent (together with any interim financial statements) to every holder of its listed securities as soon as they have been published and further copies must be made available to investors or prospective investors upon request;
- include:
 - a report by the directors of the investment fund on the results for the period under review;
 - a detailed analysis of the investment fund's portfolio of investments by type of security (equity securities, convertible

- securities, fixed income securities, types or categories of derivative products, currencies, and other investments) and by broad industrial or commercial sector and, where appropriate, geographical area, giving the market value of each category so analyzed or such other portfolio details as may be agreed by the exchange;
- o a statement as at the end of the relevant financial year showing:
 - the interests of any director, investment manager, or investment adviser in the securities of the investment fund or any subsidiary, distinguishing between beneficial and non-beneficial interests;
 - details of any right to subscribe for securities of the investment fund granted to any director, investment manager, or investment adviser of the investment fund, and of the exercise of any such right; and
 - the interests of each director of the investment fund in any entity that receives fees or other compensation from the investment fund;
 - o an explanation of any material disparity between the operating results shown by the financial statements for the period under review and any published forecast made by the investment fund;
 - o details of any emoluments or other income payable by the investment fund to the directors, service providers, or any of their associates during the period under review; and
 - o details of any arrangements whereby a director or any service provider has waived or agreed to waive any emoluments from the investment fund or any subsidiary undertaking, together with the amounts involved for the period under review.

There are no specific publications issued with respect to funds other than the governing Investment Fund Act and regulations and the listing requirements of the BISX.

Use of short form accounts

The legislation does not allow short form accounts.

Umbrella schemes

For corporate entities, the financial statements must cover the company as a whole; therefore, in the case of umbrella schemes the statements must include all sub funds. There is no requirement that separate statements for each sub fund must be prepared, however generally details of each separate sub fund would be included.

Classes of shares

Where a fund has more than one class of shares, the financial statements must include all classes. There is no requirement to produce separate financial statements for each class; however, the fund may do so.

1.2 Requirement to audit financial statements

Except when exempted, a licensed investment fund must have its financial statements audited annually by an auditor approved by the Commission and must send them to the licensor within four months of that financial year or within such extension of the period as the Commission may allow.

An auditor of an investment fund or investment fund administrator must satisfy the Commission that:

- in the case of an individual, he/she is a member in good standing of The Bahamas Institute of Chartered Accountants or of any other international accounting body prescribed by the Commission by notice in the Gazette;
- in the case of a firm of accountants, the partners of the firm are all members of The Bahamas Institute of Chartered Accountants in good standing, or are members in good standing of any other international accounting body prescribed by the Commission by notice in the Gazette.

An individual or accounting firm must supply the Commission with such other information as they may require.

The auditor must prepare:

- a report on the financial statements stating whether or not the financial statements present fairly (or present a true and fair view of), in all material respects, the financial position of the investment fund, or investment fund administrator, and the results of its operations, changes in owners' equity and its cash flow in accordance with standards accepted by The Bahamas Institute of Chartered Accountants or any other international accounting body recognized by the Commission; and
- a report on whether or not the business of the investment fund or investment fund administrator has been conducted in accordance with the provisions of the Investment Funds Act 2003 relating to the record

keeping, filing requirements and the financial affairs of the investment fund or investment fund administrator.

Where in the course of performing their duties the auditor identifies a matter that could give rise to a qualification in their audit report on the financial statements or that a major deficiency, weakness, or non-compliance should be reported to the Commission, they must request the investment fund or investment fund administrator (as the case may be) to notify the Commission accordingly and, if the fund or administrator fails or refuses to do so, the auditor must notify the Commission immediately in writing with a copy of such notification being supplied to the investment fund or investment fund administrator.

The Commission may at any time instruct an investment fund to have its accounts audited and to submit its audited financial statements to the Commission within such time as it specifies.

There is no requirement to produce interim financial statements.

1.3 Publication of financial statements

Only funds that are listed on BISX are required to publish audited financial statements. This must be done within six months of the year-end of the fund. Copies of the published financial statements must be sent to all shareholders.

Except where exempted, all licensed funds must file audited financial statements on an annual basis with the licensor within four months of the year-end.

1.4 Accounting standards

There is no restriction on the standards used by licensed funds, provided they are recognized standards. The majority of funds follow International Financial Reporting Standards or United States generally accepted accounting principles.

In the case of funds listed on BISX, they may use International Financial Reporting Standards, United States, United Kingdom, or Canadian generally accepted accounting principles or other standards acceptable to the exchange.

1.5 Contents of financial statements

Requirements for inclusion in annual financial statements:

	Required by law	Required by GAAP (International Financial Reporting Standards)	Complied with for Best Practice
A statement which includes all income less expenses plus realized and unrealized gains and losses	No	Yes	Yes
A statement which only includes income less expenses	No	No	No
A statement which only includes income less expenses plus realized gains and losses	No	No	No
Statements of net assets and liabilities	Yes	Yes	Yes
Statement of changes in net assets	Yes	No	Yes
Cash flow statement	Yes	Yes	Yes
Statement of accounting policies	No	Yes	Yes
3 year net asset value table	No	No	No
5 year net asset value table	No	No	No

1.6 Accounting treatments and disclosures

The following items must be included in the annual financial statements:

	Required by law	Required by GAAP (International Financial Reporting Standards)	Complied with for Best Practice
Futures are shown on balance sheet using the grossed up notional amount	No	No	No

	Required by law	Required by GAAP (International Financial Reporting Standards)	Complied with for Best Practice
Futures are shown on the balance sheet based on the margin outstanding	No	No	No
Futures are shown on the balance sheet based on the margin outstanding and the margin paid to date	No	Yes	Yes
Organization costs are written off immediately	No	Yes	Yes
Organization costs are amortized over one year	No	No	Yes
Organization costs are amortized over more than one year	No	No	No
Issue costs are charged to the statement of operations	No	No	No
Issue costs are netted off against creation proceeds	No	Yes	Yes
Contingent deferred sales charges are recorded as income	No	No	No
Contingent deferred sales charges are netted off against redemption proceeds	No	Yes	Yes
Holdings in other collective investment funds are consolidated if the fund holds > 50% of the underlying collective investment fund's shares	No	Yes	Yes
Methods used in financial statement presentation to measure listed investments are:			
Cost	No	No	No
Market value:			
bid	No	Yes	Yes
offer	No	No	No
close	No	No	No
price at any time during the day	No	No	No
The financial statements distinguish between income and capital	No	No	No

Appendix 1

Reference Material

The following details the relevant laws and regulations for collective investment funds and fund management companies and provides Web addresses (in certain instances) for where this material can be located:

Investment Funds Act 2003 and Investment Funds Regulations 2003:

http://www.scb.gov.bs/acts_regs.htm

Securities Commission of the Bahamas:

<http://www.scb.gov.bs/>

The Bahamas International Securities Exchange:

<http://www.bisxbahamas.com/>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we Endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.