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SECURITIES INDUSTRY (CONTRACTS FOR DIFFERENCES) RULES, 2020

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S.I. No. 78 of 2020

SECURITIES INDUSTRY ACT, 2011

(NO. 10 OF 2011)

SECURITIES INDUSTRY (CONTRACTS FOR DIFFERENCES) RULES, 2020

The Securities Commission, in exercise of the powers conferred by section 149 of the Securities Industry Act, 2011 *(No. 10 of 2011)*, makes the following Rules —

1. Citation.

These Rules may be cited as the Securities Industry (Contracts For Differences) Rules, 2020.

2. Interpretation.

In these Rules—

"Act" means the Securities Industry Act;

"binary option" means a contract or instrument that provides for only —

(a) a predetermined fixed amount if the underlying interest referenced in the contract or instrument meets one or more predetermined conditions; and

(b) zero or another predetermined fixed amount if the underlying interest referenced in the contract or instrument does not meet one or more predetermined conditions;

"CFD firm" means a firm registered under rule 5 of these rules to carry on securities business with respect to CFDs;

"CFD Supervisory Officer" means the supervisory officer appointed by the CFD firm to carry out the duties listed in rule 8;

"contract for differences" or **"CFD"** means —

(a) a derivative other than an option, future, swap or forward rate agreement, the purpose of which is to give the holder a long or short exposure to fluctuations in the price, level or value of an underlying asset, irrespective of whether it is traded on a marketplace, and that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event; or

(b) any other similar speculative investment as prescribed by the Commission;

"Digital Asset" means a digital representation of value distributed through a Distributed Ledger Technology Platform where the value is embedded or in which there is a contractual right of use and includes without limitation digital tokens;

"effective date" means the date these Rules come into effect;

"elective professional clients" means a client who elects to be categorized as a professional client as set out in rule 25 of these Rules;

"exposure" means the total value of the exposure to the underlying asset that the CFD provides;

"major stock market index" means—

(a) any of the following equity indices —
  (i) Financial Times Stock Exchange 100 (FTSE 100);
  (ii) Cotation Assistée en Continu 40 (CAC 40);
  (iii) Deutsche Bourse AG German Stock Index 30 (DAX30);
  (iv) Dow Jones Industrial Average (DJIA);
  (v) Standard & Poor's 500 (S&P 500);
  (vi) NASDAQ Composite Index (NASDAQ), NASDAQ 100 Index (NASDAQ 100);
  (vii) Nikkei Index (Nikkei 225);
  (viii) Standard & Poor's / Australian Securities Exchange 200 (ASX 200);
  (ix) EURO STOXX 50 Index (EURO STOXX 50); or
(b) any other international equity index recognized by the Commission pursuant to the Securities Industry Act, 2011 *(No.10 of 2011)*;

"marketing" or "markets" includes advertising, soliciting business, or sending communications to clients or potential clients;

"permitted sovereign debt" means debt instruments issued by or on behalf of the government of—

(a) The Bahamas;
(b) A member state of the European Union that has adopted the Euro as its currency;
(c) Canada;
(d) Japan;
(e) Switzerland;
(f) The United Kingdom;
(g) The United States of America; or
(h) any other jurisdiction designated by the Commission pursuant to the Securities Industry Act, 2011 *(No.10 of 2011)*;

"retail client" means any client who is not a professional client and
"SIR" means the Securities Industry Regulations, 2012 *(S.I. No.1 of 2012)*.

3. Application of the Act and SIR to these Rules.

Subject to these Rules, the Act and the SIR apply to all firms and individuals registered under these Rules.

PART II – REGISTERED FIRMS AND INDIVIDUALS

4. Specific registration required.

(1) Any person who carries on securities business in, or otherwise provides or markets, CFDs in or from The Bahamas must be registered for this activity with the Commission under the Act and these Rules.

(2) Firms that prior to the effective date of these Rules were registered to carry on the activities listed in paragraph 1(a) of the Part 2 of *First Schedule* of the Act and—

(a) carried on securities business with respect to CFDs on the effective date, and will to continue to do so; or

(b) carried on securities business but did not conduct CFD business on the effective date but now will engage in securities business with respect to CFDs, must be registered for this activity with the Commission under the Act and these Rules.

5. Firm registration categories.

The categories of registration to carry on securities business in, or otherwise provide, CFDs are:

(a) a firm registered to carry on the activities listed in paragraph 1(a) of Part 2 of the First Schedule to the Act and to deal in CFDs in accordance with these Rules; or

(b) a firm registered under these Rules to carry on the activities listed in paragraph 1(a) of Part 2 of the First Schedule to the Act, with its activities limited to dealing in CFDs.

6. New application for registration as a firm.

(1) A new applicant for registration under Rule 5 of these Rules not previously registered under the Act shall deliver to the Commission –

(a) a completed application Form CFD 1 of the *Schedule*, together with the information and documents specified;
(b) a completed application Form CFD 4 of the *Schedule*, regarding the CFD Supervisory Officer and other relevant officers.

(2) An applicant that is registered to carry on activities listed in paragraph 1(a) of Part 2 of the *First Schedule* of the Act shall deliver to the Commission—
(a) a completed application Form CFD 2 of the *Schedule*, together with the information and documents specified; and
(b) a completed application Form CFD 4 of the *Schedule*, regarding the CFD Supervisory Officer.

7. Requirements.

(1) The Commission may grant registration under these Rules if the Commission is satisfied that the applicant –
(a) is a company incorporated or registered under the Companies Act *(Ch. 308)* or the International Business Companies Act *(Ch. 309)*;
(b) is organized in a manner and has sufficient capacity and resources to carry out its proposed functions in compliance with the Act, Regulations and these Rules, including—
(i) having appropriate and sufficient systems and controls to perform its functions and manage its risks prudently;
(ii) having appropriate and sufficient insurance coverage; and
(iii) observing standards of solvency and levels of capital as required;
(c) is fit and proper; and
(d) meets such other requirements as may be prescribed.

(2) The initial requirements for registration shall continue to be met by the person throughout the period of registration under the Act and these Rules.

8. CFD Supervisory Officer.

(1) In addition to the requirements in regulation 40 of the SIR, a CFD firm shall designate an officer to act as the CFD Supervisory Officer, who shall be –
(a) an individual residing in The Bahamas;
(b) registered as such with the Commission; and
(c) responsible for the supervision of the CFD business undertaken by the firm to ensure it is carried out in compliance with the law, which responsibility cannot be delegated.

(2) The functions of a CFD Supervisory Officer may be outsourced as long as the criteria in subparagraphs (a) to (c) of paragraph (1) above are satisfied.

9. Categories of individual registration.

In addition to the categories of individual registration set out in regulation 56 of the SIR, an individual may be registered as a—

(a) CFD Supervisory Officer; or
(b) Representative, trading (CFD).

10. Requirements for individual registration.

(1) The Commission may grant registration if it is satisfied that the applicant —

(a) is at least 18 years of age;
(b) is fit and proper;
(c) does not have other interests, whether directly or indirectly, which may conflict with the conduct and integrity of the person's employment with the CFD firm; and
(d) meets any other requirements that the Commission deems appropriate.

(2) The initial requirements for registration shall continue to be met by the person throughout the period of registration under the Act.

11. Education and experience.

In addition to the requirements set out in regulation 59 of the SIR, an applicant for registration as a —

(a) CFD Supervisory Officer shall have —
  (i) no less than three years of CFD or derivative-related experience and have obtained one of the examinations recognized by the Commission from time to time for these purposes; or
  (ii) at least five years of securities-related experience, of which at least two years will be experience in derivatives or CFDs.
(b) Representative, trading (CFD) shall have —
  (i) no less than 3 years of CFD or derivative-related experience and have obtained one of the examinations recognized by the Commission from time to time for these purposes; or
  (ii) at least ten years of securities-related experience, of which at least one year will be experience in derivatives or CFDs.

12. Physical presence requirements.

Notwithstanding rule 5 of the Securities Industry (Physical Presence) Rules, *(S.I. No. 12 of 2012),* a CFD firm shall not appoint a managing representative to satisfy the minimum physical presence requirements thereunder and must satisfy and maintain physical presence requirements by complying with the requirements set out in the Schedule of the Securities Industry (Physical Presence) Rules, *(S.I. No. 12 of 2012)*.

13. Regulatory capital.

(1) A CFD firm is required to maintain at all times adequate financial resources to —
   (a) meet its business commitments;
   (b) withstand the risks to which its business is subject; and
   (c) meet the prescribed requirements.

(2) A CFD firm shall maintain regulatory capital calculated in accordance with the capital formula prescribed by the Commission in Rules.

14. Reporting to the Commission.

(1) In addition to the reporting required under regulation 49 of the SIR, a CFD firm must deliver to the Commission no later than the 120th day after the end of its financial year the information set out in Form CFD 3 of the Schedule for the year.

(2) In addition to the reporting required under regulation 50 of the SIR, a CFD firm must deliver to the Commission no later than the 30th day after the end of the first, second, third and fourth quarter of its financial year the information set out in Form CFD 3 of the Schedule for that quarter.

15. Application for individual registration.

(1) Unless the Commission permits or requires otherwise, an applicant for registration as an individual under these Rules shall–
   (a) deliver to the Commission an application in Form CFD 4 of the Schedule specifying the category or categories of registration sought; and
   (b) submit the application together with the information and documents specified.

(2) An applicant may be required to provide supplementary information or clarification of the information initially provided in an application.

PART III – CONDUCT OF BUSINESS RULES

DIVISION I – GENERAL

16. Systems and controls – compliance and risk management.

In addition to the requirements set out in regulation 74 of the SIR, and Part II of the Securities Industry (Anti Money Laundering and Countering the Financing of Terrorism) Rules, 2015 *(S.I. No. 96 of 2015)* the policies and procedures, systems and controls for a firm registered under these Rules must include–

(a) infrastructure for risk management including processes and contingency arrangements in the event the registered firm is unable to carry out its operations;
(b) risk management processes that integrate prudent risk limits, continuous risk monitoring and regular management reporting on its CFD exposures;
(c) comprehensive internal control and audit procedures; and
(d) systems to ensure all requirements under these Rules are met.

17. Fair pricing of CFDs.

A CFD firm must not—

(a) purchase CFDs for its own account from a client or sell CFDs for its own account to a client except at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the CFD firm is entitled to a profit, and the total dollar amount of the transaction; or
(b) purchase or sell CFDs as an agent for a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the availability of the securities involved in the transaction, the expense of executing or filling the customer's order, the value of the services rendered by the CFD firm, and the amount of any other compensation received or to be received by the CFD firm in connection with the transaction.

18. Contract note.

(1) Any CFD firm that carries out any sale or purchase of CFDs on behalf of a client shall, within one business day after the sale or purchase was executed, make and transmit a contract note of the transaction to its client.

(2) A contract note shall set out –

(a) a description of the CFD;
(b) the number of units of the CFD;
(c) the notional amount, quantity or volume of the underlying asset of the CFD;
(d) the total price paid for the derivative and the per unit price of the CFD;
(e) the name of the CFD firm involved in the transaction;
(f) whether the CFD firm was acting as principal or agent;
(g) the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day; and
(h) any other information required by the Commission.

19. General margin requirement.

A CFD firm that enters into CFDs with its clients shall obtain margin from each customer, in the form of acceptable collateral, for the purpose of such trading.

DIVISION II – RESTRICTIONS ON MARKETING, DISTRIBUTION AND SALE OF CFDS TO RETAIL CLIENTS

20. Standardized risk warnings.

(1) A CFD firm shall not market, publish or provide any communication, information, advertisement or public invitation regarding CFDs to a retail client, or disseminate such communication, information, advertisement or public invitation without including the following risk warning —

"CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage."

[insert percentage per provider] % of retail investor accounts lose money when trading CFDs with this provider.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money."

(2) The risk warning shall include an up-to-date firm-specific percentage of the firm's retail clients who have lost money, and that percentage shall be determined in accordance with paragraphs (3) through (6).

(3) The calculation of the percentage in paragraph (2) shall be performed every three months and shall cover the 12-month period preceding the date of the calculation.

(4) For the purposes of the calculation of the percentage in paragraph (2), an individual retail client account shall be considered to have lost money if the sum of all realized and unrealized net profits on CFDs traded in that retail client's account during the 12-month calculation period is zero or below zero.

(5) The calculation of the percentage in paragraph (2) shall include all costs, fees, commissions and any other charges.

(6) The calculation of the percentage in paragraph (2) shall not include:
   (a) any retail client account that did not have an open CFD connected to it within the calculation period;
   (b) any profits or losses from investments other than CFDs;
   (c) all deposits of funds; and
   (d) all withdrawals of funds.

(7) The CFD firm must retain records of the retail client accounts used for these calculations for five years.

(8) Where the retail client has not approached the CFD firm through a website or mobile application, the risk warning must be provided in writing in good time before the CFD firm carries on any business for the retail client.

(9) If, when required to perform the calculation in paragraph (2), the CFD firm has not entered into a single trade of a CFD with a retail client in the previous 12 months, the CFD firm must use the following risk warning —

"CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage."

The majority of retail investor accounts lose money when trading CFDs.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money."

(10) A CFD firm shall apply to the Commission in writing for approval to use an abbreviated risk warning for the purpose of advertising on an electronic banner.

21. Format of risk warning.

(1) The relevant risk warnings in rule 20 must be:
  (a) prominent;
  (b) contained within its own border and with bold and plain text as indicated;
  (c) if provided on a website or via a mobile application, statically fixed and visible at the top of screen even when the retail client scrolls up or down the page; and
  (d) if provided on a website, included on each linked webpage on the website.

(2) The relevant risk warning, including the font size, should be proportionate, taking into account the content, size and orientation of the marketing material as a whole.

22. Requirement that margin posted by retail clients be in cash.

(1) A CFD firm shall not open a position in a CFD for a retail client unless the margin posted to open the position is in the form of cash.

(2) A CFD firm shall not maintain an open position in relation to a CFD for a retail client unless the margin posted to maintain the open position is in the form of cash.

23. Minimum margin requirements – retail clients.

(1) A CFD firm must require a retail client to post margin to open a position in a CFD of at least equal to the following amounts –
  (a) 0.5% of the value of the exposure that the trade provides when the underlying currency pair is composed of any two of the following currencies: Canadian dollar, Euro, Japanese yen, Pound sterling, Swiss franc or US dollar;
  (b) 0.5% of the value of the exposure that the trade provides when the underlying asset is permitted sovereign debt;
  (c) 0.5% of the value of the exposure that the trade provides when the underlying asset is a major stock market index, a currency pair composed of at least one currency not listed in (a) above, or gold;
  (d) 0.5% of the value of the exposure that the trade provides when the

underlying asset is a commodity other than gold or a stock market index other than a major stock market index;

(e) 0.5% of the value of the exposure that the trade provides when the underlying asset is an equity security or an asset not otherwise listed in (a) to (d).

(f) 5% of the value of the exposure that the trade provides when the underlying asset is a digital asset.

(2) The Commission may amend the margin requirements listed in subparagraph (1) (a) through (f).

24. Minimum Margin Exception – Professional Clients.

Minimum margin requirements established in rule 23 do not apply to professional clients.

25. Elective Professional Client.

(1) A CFD firm may designate a client as an elective professional client if by an adequate assessment which tests the clients'-

(a) expertise, experience and knowledge of CFDs`; and

(b) understanding of the nature of the transactions or services;

the CFD firm is satisfied that the client is capable of making his own investment decisions and understanding the risks involved.

(2) A CFD firm shall not designate a client as an elective professional client unless the client complies with two of the following criteria—

(a) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 transactions per quarter over the previous four quarters;

(b) the size of the client's financial instrument portfolio, including cash deposits and financial instruments, exceeds $500,000;

(c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

(3) Prior to designating a client as an elective professional client a CFD firm shall–

(a) obtain the client's written consent to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;

(b) give the client a clear written warning of the protections and investor compensation rights the client may lose; and

(c) get the client's written confirmation in a document separate from the

contract, that the client is aware of the consequences of losing the relevant protections and compensation rights.

26. Use of funds in retail client account.

Funds held by a CFD firm as margin in a retail client account must be segregated in accordance with regulation 88(2) of the SIR and may not be borrowed, charged or used by the CFD firm for any other purpose.

27. Margin close-out requirements for retail clients.

(1) A CFD firm must ensure a retail client's net equity in an account used to trade CFDs does not fall below 50% of the margin requirements set out in rule 23.

(2) Where a retail client's net equity falls below 50% of the margin requirement, the CFD firm must close the retail client's open position(s) as soon as market conditions allow or have the client add additional margin to become compliant with this rule.

(3) In this rule, "net equity" means the sum of the retail client's net profit and loss on their open position(s) and the retail client's deposited margin.

28. Disclosure of margin close-out.

(1) A CFD firm must provide its retail clients with a clear description of how the retail client's margin close-out level will be calculated and triggered —
  (a) before the retail client opens his or her first position; and
  (b) before any change to the terms and conditions applicable to the retail client takes effect.

(2) The description required by paragraph (1) may be given to the client in writing or be prominently displayed on a website.

29. Negative balance protection.

(1) The liability of a retail client for all CFDs connected to the retail client's account is limited to the funds in that account.

(2) For the purposes of paragraph (1) —
  (a) funds in a retail client's account are limited to the cash in the account and unrealized net profits from open positions;
  (b) "unrealized net profits of all open positions" means the sum of unrealized gains and losses of all open positions recorded in the account; and

(c) any funds or other assets in the retail client's account for purposes other than trading CFDs must be disregarded.

30. Restrictions on retail incentives.

(1) Except as a rebate of trading expenses, a CFD firm shall not directly or indirectly provide a retail client with any incentive, whether monetary or non-monetary, when marketing, distributing or selling a CFD without the consent of the Commission.

(2) For the purposes of paragraph (1), information and research tools regarding CFDs are not considered to be incentives.

PART IV – PROSPECTUS EXEMPTION

31. Prospectus requirement exemption.

The requirement to file a prospectus under section 83 of the Act does not apply to a distribution of CFDs.

PART V – OTHER

32. Trading in binary options with a retail client prohibited.

No person or company may market, advertise, offer, sell or otherwise trade a binary option with or to —

(a) a retail client; or

(b) a person that was created, or is used, solely to trade a binary option.

33. Prohibition on circumvention.

No person shall knowingly participate in activities the object or effect of which is to circumvent the requirements in these Rules, including as acting as a substitute for a provider of CFDs.

34. Granting an exemption.

The Commission may grant an exemption from these Rules, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

35. Transition provisions.

A firm registered to carry on activities listed in paragraph 1(a) of Part 2 of the First Schedule to the Act that carried on securities business with respect to CFDs prior to the effective date of these rules shall, within six months from the effective date of these rules apply for registration as required in accordance with rule 6.

SCHEDULE

FORMS

Form CFD 1

Application for Registration as a Registered Firm,

Including Dealing in Contracts for Differences
(rule 6)

Item 1 – Name of Applicant

State full legal name of the Applicant.

Item 2 – Type of Registration Application

State the securities business(es) for which registration is sought—

(a) Dealing as agent or principal, including underwriting
(b) Dealing as agent or principal, including underwriting, restricted to CFDs
(c) Arranging deals in securities
(d) Managing securities on a discretionary basis
(e) Advising on securities

Item 3 – Types of CFDs

Indicate types of Contracts for Differences (CFDs) that the applicant is intending to trade

Contracts for Difference where the underlying are	Yes	No
Single securities – Equities		
Single securities – Debt instruments		
Foreign exchange		
Stock market indexes		
Commodities – gold		
Commodities – other (specify)		

Digital Assets – (specify)		
Other (specify)		

Item 4 - Full Business Contact Details of Applicant

State the Applicant's principal business address and provide email address(es) and telephone numbers. If the Applicant operates at more than one address in The Bahamas, provide details for each office.

Item 5 – Full Details on Security holders, Directors and Officers

Provide completed Form 4 under the Second Schedule to the SIR for each security holder1, director and officer of the Applicant.

If the securities of the Applicant are traded on a securities exchange in any jurisdiction, provide full details of listing.

Provide a list of all affiliates of the Applicant and indicate nature of relationship, business the affiliate is in, where incorporated, established and operating.

Item 6 – Full Details on Persons to be Carrying on Securities Business on Behalf of Applicant

Provide completed Form 9 under the Second Schedule to the SIR and CFD Form 4 under these Rules for each person who is to carry on securities business on behalf of the Applicant including the Chief Executive Officer, Compliance Officer, CFD Supervisory Officer and any representative to be registered.

Item 7 – Discipline History

State whether the Applicant or any director, officer or significant security holder of the Applicant has ever been –

(a) disciplined by any stock exchange, regulatory authority or professional association in any jurisdiction or been denied admission, registration or renewal or had its membership or registration revoked;
(b) declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud;

[1]Note that where the Applicant is a publicly traded entity in The Bahamas or elsewhere, Form 4s are only required to be provided for significant security holders of the Applicant.

(c) involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn;
(d) dismissed from any office or employment or barred from entry to any profession or occupation; and
(e) compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims,

if so, please provide full details.

Item 8 – Operational Capabilities

Provide a detailed description of the Applicant's operational capabilities, including the physical premises, risk management systems, banking, clearing and custody arrangements, communication capabilities, as applicable.

Include a detailed description of the trading platform to be used to trade CFDs with clients.

Provide names and addresses of principal bankers, custodians, and other service providers.

Item 9 – Policies and Procedures

Provide a summary of the Applicant's written supervisory, internal controls and risk management policies and procedures and infrastructure that address all aspects of the securities businesses to be carried on, including portfolio management, trading platform details, front and back office operations, operational controls, reporting policies, code of conduct, as applicable. In particular, these must include risk management processes that integrate prudent risk limits, continuous risk monitoring and regular management reporting on its CFD exposures.

Attach a complete copy of these policies and procedures.

Item 10 – Financial Statements

The following must be submitted—

Where the Applicant has been established within six months of the date of the application and Applicant has not commenced operations –

(a) a statement from a senior officer of the Applicant confirming that the

Applicant has not commenced trading since the date of establishment and that no financial statements have been produced or dividends declared; and

(b) an audited statement of financial position, showing the minimum financial resources required as at a date not more than 21 days before the date of the application.

For all other Applicants –

(a) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;

(b) the auditor's report accompanying the audited financial statements; and

(c) the most recent interim financial statements certified by the Chief Executive Officer and the Treasurer to be true and complete.

If the Applicant has any significant security holders that are companies, the Applicant must also submit for each such security holder –

(a) audited financial statements for the two financial years immediately prior to the date of the application or, if shorter, since the date of establishment;

(b) the auditor's report accompanying the audited financial statements; and

(c) the most recent interim financial statements certified by the Chief Executive Officer and the Treasurer to be true and complete.

Item 11 – Other Regulatory Approvals

If the Applicant is registered, licensed or authorized by any other regulatory authority in The Bahamas or elsewhere, provide details of that status, including name of authority, type of registration, license or authorization, date of approval, registration number, any conditions or any other matter.

Item 12 – Business Plan

Provide a summary of the Applicant's business plan for the next three years, which shall include financial and operational projections and staffing requirements, a description of the products and services offered and the method by which they are to be offered, and the nature of the clientele of the firm. Include details on how the CFD activity(s) would be integrated with its other businesses, if any. Attach a complete copy of the detailed plan.

Item 13 – Contact Person at Applicant

Give the name, business telephone number and email address of a senior official of the Applicant who is knowledgeable about the application and who may be contacted to discuss it.

Item 14 – Date of the Application

Item 15 – Certification and Signature

Include the signature of the Chief Executive Officer and Treasurer certifying the following statement:

"We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that —

a. *the Applicant is currently in compliance with all the applicable provisions of the Act and these Rules; and*

b. *the contents of this form and any attachments provided with this form are true, correct and not misleading."*

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the Applicant's written supervisory, internal controls and risk management policies and procedures, including a description of any risk management or other infrastructure in place.
2. The arrangements made for execution and settlement of securities transactions and for custody of securities on behalf of customers.
3. An organizational chart for the firm together with job descriptions for each position. (Include total number of employees in the company).
4. Evidence that the Applicant is in good standing with the Registrar of Companies.
5. Certified copy of the Applicant's Memorandum and Articles of Association, or equivalent incorporation documents.
6. Copies of required financial statements.
7. Evidence that the company has adequate indemnity insurance on behalf of its directors, officers and employees.
8. Evidence of the Applicant's registration with any other regulatory authority, if applicable.

9. Copy of the Applicant's detailed business plan for the next three years, which shall include financial and operational projections, staffing requirements, a description of the products and services offered including CFDs and the method by which they are to be offered, and the nature of the clientele of the firm.
10. Completed Form 4 of the Second Schedule of the SIR for each security holder, director and officer.
11. Completed Forms 9 of the Second Schedule of the SIR and Form CFD 4 of these Rules for the Chief Executive Officer, Compliance Officer, CFD Supervisory Officer and each representative to be registered to act for the firm.
12. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rules.

Form CFD 2

Application by Registered Firm to be Approved to Carry on Business in Contracts for Differences

(Rule 6)

Item 1: Full name of Applicant

Item 2: License/Registration Number

Item 3: - Current Registration

Indicate the types of securities business for which the applicant is currently registered:

Dealing as agent, only including underwriting	
Dealing as agent or principal, including underwriting	
Dealing as agent or principal, including underwriting, restricted to CFDs	

Arranging deals in securities	
Managing securities on a discretionary basis	
Advising on securities	

Item 4 – Types of CFDs

Indicate types of contracts for Differences (CFDs) for which approval to trade is being sought:

Contracts for Differences where the underlying are	**Yes**	**No**
Single securities – Equities		
Single securities – Debt instruments		
Foreign exchange		
Stock market indexes		
Commodities – gold		
Commodities – other (specify)		
Digital Assets – (specify)		
Other (specify)		

Item 5 – Activities in CFDs

Describe the activity(s) in CFDs proposed to be carried out by the applicant, including the manner in which and the types of clients (retail/institutional; domestic/foreign) with whom the applicant proposes to conduct CFD business. Include details on how the CFD activity(s) would be integrated with its existing business.

Item 6 - Current Regulatory Capital

i. Evidence that the applicant meets its current regulatory capital requirements calculated in accordance with the applicable rules.
ii. Evidence of how the applicant will meet the additional regulatory capital required for its CFD activities.

(If the capital does not meet the minimum capital requirement for the proposed activity(s) under the law, the applicant must provide a written undertaking to the

Commission that the applicant will increase its capital to satisfy the minimum capital requirement upon approval of the new activity(s), by the Commission.)

Item 7: Details of Key Officers

With regard to the proposed activity(s) in CFDs, identify key officers to be responsible for CFD trading activities. Where the officer is not presently registered with the Commission include names, addresses, relevant experience, qualifications and other details required by the Commission.

Item 8 – Any Other Relevant Details

Include any other information relevant to the Commission's consideration of this application.

Item 9 – Contact Person at Applicant

Give the name, business telephone number and email address of a senior official of the Applicant who is knowledgeable about the application and who may be contacted to discuss it.

Item 10 – Date of the Application

Item 11 – Certification and Signature
Include the signature of the Chief Executive Officer and Treasurer certifying the following statement:

"We, the undersigned, hereby affirm that to the best of our information, knowledge and belief that

a. *the Applicant is currently in compliance with all the applicable provisions of the Act and these Rules; and*
b. *the contents of this form and any attachments provided with this form are true, correct and not misleading."*

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

Required attachments:

1. Copy of the Applicant's updated written supervisory, internal controls and risk management policies and procedures reflecting activities related to CFD activities.

2. Full description of any trading platform to be used to trade CFDs.
3. The arrangements made for execution and settlement of CFD trades and for custody of margin held for customers.
4. An updated organizational chart for the firm reflecting officers and staff members responsible for CFD activities specifically.
5. Copy of the Applicant's updated detailed business plan for the next three years reflecting impact of CFD business activity.
6. Where there has been a change in security holders, directors or officers, a completed Form 4 of the Second Schedule of the SIR for each new security holder, director and officer.
7. Completed Form CFD 4 for the CFD Supervisory Officer and each representative to be registered to act for the firm in CFDs.
8. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rule.

Form CFD 3

Operational Report – Contracts for Differences

(rule 14)

As of and for the Period ending: _____

(Specify – Annual or Quarterly Report)

Note that this Report is required in addition to Form 13 under the SIR

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

CFD TRADING STATISTICS

	Retail Clients	Non-Retail Clients
Number of accounts trading CFDs		
Total number of CFD trades executed		

Number of CFDs traded for period

CFDs		
Other		

Percentage of retail accounts that lost money	
Aggregate retail losses	

Certificate regarding retail margin rule

The Registered CFD firm is in compliance with the retail margin requirements set out in sections 23 to 28 of these Rules	Yes ☐ No ☐ (if no, attach full details, including the actions that are being taken to rectify the failure to comply)

Include the signature of the Chief Executive Officer, Treasurer or other senior certifying the following statement:

"I, the undersigned, hereby affirm that to the best of my information, knowledge and belief that

a. *The Applicant is currently in compliance with all the applicable provisions of the Act and the Regulations and these Rules; and*
b. *The contents of this form and any attachments provided with this form are true, correct and not misleading."*

Form CFD 4

Application for Registration as CEO, Compliance Officer, CFD Supervisory Officer or

Registered Representative of Registered CFD Firm

(rule 6(2) and Form CFD 1)

General Instructions: If insufficient space is provided, please attach a separate sheet of paper.

WARNING: Intentional misstatement or failure to disclose information may constitute an offence.

i. Personal details - *(Answers To be provided by all applicants under these Rules unless otherwise indicated)*

1. Name of the registered firm – Current employer in case of person registered with the Commission. Please include registration number.	
2. Full legal name of Applicant: Surname, Given Names *Include Registration Number with Commission, if applicable*	
List any previous names of Applicant	
3. Contact details	Personal telephone numbers (mobile and landline): Personal email: Personal mailing address (include full street address city country and where applicable post office box number, state/ province, postal/zip code):
4. Indicate current role(s) with registrant, if applicable	Chief Executive Officer: ☐

	Compliance Officer: ☐ Representative: ☐ Trading (Securities other than CFD) ☐ Trading (CFD) ☐
5. Indicate current role(s) for which applying	Chief Executive Officer: ☐ Compliance Officer: ☐ Representative: ☐ Trading (Securities other than CFD) ☐ Trading (CFD) ☐
6. Indicate if this is an application for reinstatement of a previous registration	No ☐ Yes ☐ If yes, attach full details of previous registration
7. Previous Home Address	
Previous home addresses during the last ten years (with relevant dates) **For persons not applying under current registration only*	Previous Address 1: Dates at this address: Previous Address 2: Dates at this address: Previous Address 3: Dates at this address:
8. Date of Birth	
9. Place of birth (including town, state and country) **For persons not applying under current registration only*	

10. Citizenship **For persons not applying under current registration only.*	The Bahamas ☐ Other ☐ _____
11. Identification number (Passport No., Voters Registration No., National Identification No., Social Security No., Tax Identification No. or specify other type) **For persons not applying under current registration only.*	Number: Type:
B. Employment and Educational History	
12. Present occupation or employment including: − the name, telephone number, email and address of the employer − the name of business − title of position held; and − relevant start date	
Provide the name, position, telephone number of a reference **For persons not applying under current registration only.*	
13. Prior occupations and employment during the last ten years including: – the name, telephone number, email and address of the employer – the name of business – title of position held; and − relevant start date	
For each employer, provide the name, position, email and telephone number of a reference **For persons not applying under current registration only*	

14. List companies where Applicant — (a) Is currently a director or significantsecurity holder (b) has been a director or significant security holder at any time during the last ten years? (specify the name of the entity, the country of incorporation, and the nature of business in each case)	(a) Current director or significant security holder (b) Previous director or significant security holder
15. Describe the formal education or training the applicant has in securities, derivatives or CFD-related activities (including qualifications and year in which they were obtained).	
16. Do you have any other professional qualifications (e.g. lawyer, accountant, etc.)? **For persons not applying under current registration only please*	No ☐ Yes ☐ (If yes, attach full details)
17. Are you or have you ever been a director, officer, security holder, or employee of any other entity registered with the Commission? If yes, please provide details **For persons not applying under current registration only please*	No ☐ Yes ☐ (If yes, attach full details)
18. Have you ever been licensed as a registered representative or similar capacity in any other jurisdiction?	No ☐ Yes ☐ (If yes, attach full details)

C. Discipline History

19. Have you or any person with which you were associated as a director, security holder, manager, officer or significant security holder, in any jurisdiction, been disciplined by any stock exchange, securities regulatory body or professional association or been denied admission, registration or renewal or had a membership or registration revoked?	No ☐ Yes ☐ (If yes, attach full details)
20. Have you or any person with which you were associated as a director, security holder, manager, officer or significant security holder, in any jurisdiction ever been declared bankrupt, been convicted of a crime or been sued under any commercial law, securities law, companies law or law concerning fraud?	No ☐ Yes ☐ (If yes, attach full details)
21. Have you, at any time, been involved with an application for regulatory approval in any jurisdiction where that application has been refused or withdrawn?	No ☐ Yes ☐ (If yes, attach full details)
22. Have you, in any jurisdiction, been dismissed from any office or employment or barred from entry to any profession or occupation?	No ☐ Yes ☐ (If yes, attach full details)
23. Has any person with which you were associated as a director, manager, officer or security holder, in any jurisdiction, been compulsorily wound up or made any arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either while you were associated with it or within one year after you ceased to be associated with it.	No ☐ Yes ☐ (If yes, attach full details)

I, the undersigned, hereby affirm that to the best of my information, knowledge and belief the contents of this form and any attachments provided with this form are true, correct and not misleading and that I am in compliance with all the applicable provisions of the Act. I undertake that, as long as I continue to be the Chief Executive Officer, Compliance Officer, CFD Supervisory Officer or registered representative of the registered firm, I will —

(a) comply with all the applicable provisions of the Act and these Rules; and
(b) notify the Commission immediately of any material changes affecting the completeness of the answers to any of the questions above.

I also hereby authorize the Commission to make such enquiries and seek such further information as it thinks appropriate in verifying the information given in this Application, or in any other documents submitted as part of this application, for the purposes of performing its due diligence and background checks. I understand that the results of these checks may be disclosed to the CFD firm that submitted this application.

Date:	Signature:

Sponsoring CFD firm

Provide intended date of employment of this Applicant:	
Notice: The CFD firm is required to give immediate notice to the Commission if the Applicant does not commence employment with the CFD firm on the date noted above.	

Authorization from Senior Officer or Director of Registered Firm

Date:	Signature:
	Title:

Other documents to be attached:

1. A copy of Work Permit or Permanent Residence Permit (for non-Bahamian citizens).
2. A copy of the relevant pages of the applicant's passport (to include name, date of birth, nationality, signature, expiration date and photograph), if not currently registered with the Commission.
3. Applicant's current Police Certificate (not more than three months old) or an affidavit in acceptable form, if the Police Certificate is not available.
4. Three recent photographs of Applicant, individually signed on the back by the Applicant, if not currently registered with the Commission.
5. Copy of any relevant degree(s), educational course(s) passed, if not currently registered with the Commission.
6. An application fee must be submitted with this application. The appropriate fee can be found in the Fee Rules.

Made this 25th day of May, 2020

Signed
Chairman
Securities Commission of The Bahamas