

# The Bahamas Institute of Chartered Accountants (BICA) proposed new definition of publicly traded entity and public interest entity

## Overview and background

1. The International Ethics Standards Board for Accountants (IESBA) revised their Definitions of Listed Entity and Public Interest Entity<sup>1</sup> (PIEs) effective for all audits of financial statements for periods beginning on or after 15 December 2024.
2. IESBA's new PIE definition contains the below mandatory categories of PIE's:
  - a. A publicly traded entity
  - b. An entity one of whose main functions is to take deposits from the public;
  - c. An entity one of whose main functions is to provide insurance to the public.
  - d. An entity specified as such by law, regulation, or professional standards to meet the purpose described in paragraph 400.10<sup>2</sup>.
3. IESBA's application guidance explains that bodies responsible for setting ethics standards are expected to refine those categories more explicitly to align with their jurisdictions. The application guidance also:
  - a. indicates that bodies responsible for setting ethics standards are expected to add categories but are not expected to remove any. The application guidance identifies the following possible additional categories:
    - i. Pension Funds
    - ii. Collective investment vehicles
    - iii. Private entities with large numbers of stakeholders (other than investors)
    - iv. Not-for-profit organizations or governmental entities
    - v. Public utilities
  - b. encourages firms to consider whether to treat additional entities as PIEs.
4. The application guidance provides ethics standards-setting bodies with a list of factors to consider when determining whether an entity should be considered a PIE because there is significant public interest in the entity's financial condition.

These are the factors provided for ethics standards-setting bodies to consider:

- a. Nature of the business or activities, such as the holding of assets in a fiduciary capacity for a large number of stakeholders taking on financial obligations to the public as part of the entity's primary business. Examples might include financial institutions, such as banks and insurance companies, and pension funds.

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<sup>1</sup> [IESBA-Final-Pronouncement\\_Listed-Entity-and-Public-Interest-Entity.pdf \(ifac.org\)](#)

<sup>2</sup> Paragraph 400.10 states "Stakeholders have heightened expectations regarding the independence of a firm performing an audit engagement for a public interest entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements and application material for public interest entities as described in paragraph 400.8 is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition."

- b. Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations
- c. Size of the entity
- d. Importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure
- e. Number and nature of stakeholders including investors, customers, creditors and employees
- f. Potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

## Requirements for firms conducting audits of PIEs

### Effective date

Proposed revisions are effective for audits of financial statements for periods beginning on or after December 15, 2024, with early implementation allowed. This date aligns with IESBA's effective date.

### International Standard on Quality Management (ISQM) 1 and 2

All firms performing audits or reviews of financial statements, or other assurance related service engagements are required to have systems of quality management designed and implemented in accordance with ISQM 1<sup>3</sup> and 2<sup>4</sup>.

### IESBA requirements

All firms performing audits of PIEs as defined within must reference the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) which outlines requirements around the following:

- a. Independence including rotation of Key Audit Partners and independence disclosures
- b. Communications with those charged with governance including disclosures of fee-related information

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<sup>3</sup> [International Standard on Quality Management \(ISQM\) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements | IAASB](#)

<sup>4</sup> [International Standard on Quality Management \(ISQM\) 2, Engagement Quality Reviews | IAASB](#)

## The Bahamas regulatory landscape

Legislation governing financial services and other regulated industries in the Commonwealth of The Bahamas (The Bahamas) do not currently define 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.

The Utilities Regulation and Competition Authority (URCA)<sup>5</sup> regulates the electronic communications and electricity industry.

The Gaming Board of The Bahamas regulates the gaming industry.

The financial services industry is regulated by the following regulators:

- Central Bank of The Bahamas (CBOB)<sup>6 7</sup>
  - ✓ Banks and Trust companies
  - ✓ Money Transmission Business
  - ✓ Private Trust Companies
  - ✓ Co-operative Credit Unions
  - ✓ Payment Providers
- Securities Commission of The Bahamas (SCB)<sup>8 9</sup>
  - ✓ Investment funds
  - ✓ Securities firms
  - ✓ Financial and corporate service providers
  - ✓ Digital assets and registered exchanges
  - ✓ Carbon credit trading
  - ✓ Capital markets
- Insurance Commission of The Bahamas (ICB)<sup>10 11</sup>
  - ✓ Insurers
  - ✓ Intermediaries

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<sup>5</sup> Regulated sectors: [Regulated Sectors - URCA Bahamas](#)

<sup>6</sup> Regulated entities: [Central Bank of The Bahamas \(centralbankbahamas.com\)](#)

<sup>7</sup> Legislative framework: [Legal Framework- Central Bank of the Bahamas \(centralbankbahamas.com\)](#)

<sup>8</sup> Regulated entities: [About us - Securities Commission of The Bahamas \(scb.gov.bs\)](#)

<sup>9</sup> Legislative framework: [Acts and Regulations - Securities Commission of The Bahamas \(scb.gov.bs\)](#)

<sup>10</sup> Regulated entities: [Regulated Entities | ICB](#)

<sup>11</sup> Legislative framework: [Legislation | ICB](#)

## Proposed new definition of publicly traded entity and public interest entity

Based on the enclosed analysis, the following entities are generally expected to be PIEs:

- All entities **listed and trading** on the Bahamas International Securities Exchange (BISX);
- All public issuers, as defined in the Securities Industry Act;
- All public licensees regulated by the Bank and Trust Companies Act designated as “Resident” for foreign exchange control purposes with authorization status of “Authorized Agent” or “Authorized Dealer”;
- All co-operative credit unions regulated by the Co-operative Credit Unions Act;
- Money Transmission Business and Payment Service Providers which take deposits through mobile wallets;
- All general insurance companies, long-term insurance companies and unrestricted external insurance companies regulated by the Insurance Act and External Insurance Act;
- Multi-employer pension funds;
- The National Insurance Board;
- Any additional entities as prescribed by BICA or determined by firms registered with BICA.

## **Mandatory Category 1: Publicly traded entity**

The first mandatory category of PIE is “publicly traded entity”. IESBA adopted the following definition of publicly traded entity to help users understand what would be included in this category:

1. *An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.*
2. *A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.*

The new IESBA definition is not intended to include only entities having shares, stock or debt traded on formal exchanges but also includes those on second-tier markets or over-the-counter (OTC) trading platforms.

The IESBA definition of “publicly traded entity” is appropriate to use in the PIE definition.

This would include all entities listed and trading on BISX<sup>12</sup> and all public issuers<sup>13</sup>, as defined in the Securities Industry Act.

BICA has refined this PIE category to exclude those entities whose quoted or listed shares, stock or debt are in substance not freely transferable or cannot be traded freely by the public. This means that those entities who are listed on a stock exchange for convenience reasons, but where the securities are unable to be traded either on the stock exchange or through second-tier markets or OTC trading platforms, are excluded.

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<sup>12</sup> [All Listings - BISX | Bahamas International Securities Exchange \(bisxbahamas.com\)](https://www.bisxbahamas.com)

<sup>13</sup> [Gazetted-Securities-Industry-Act-2024.pdf \(scb.gov.bs\)](https://www.scb.gov.bs/Gazetted-Securities-Industry-Act-2024.pdf)

## Mandatory Category 2: Deposits from the public

The second mandatory category of PIE is “an entity one of whose main functions is to take deposits from the public.”

Entities regulated by the Banks and Trust Companies Regulation Act and Co-operative Credit Unions Act.

### Bank and Trust Companies

- All public licensees<sup>14</sup> designated as “Resident” for foreign exchange control purposes with authorization status of “Authorized Agent” or “Authorized Dealer” which are permitted to carry on banking and/or trust business with members of the public **are deemed PIEs**.
- Public licensees designated as “Resident” for foreign exchange control purposes that restrict their service offerings to institutional/sophisticated investors **are not deemed PIEs**.

### Money Transmission Business (MTBs)

- MTBs which take deposits through mobile wallets **are deemed PIEs**.
- MTBs which do not take deposits from the public but rather assist in facilitating the movement of funds **are not deemed PIEs**.

### Payment Service Providers (PSPs)

- PSPs which take deposits through mobile wallets **are deemed PIEs**.
- PSPs which do not take deposits from the public but rather assist in facilitating electronic payments, they **are not deemed PIEs**.

A list of MTBs and PSPs which take deposits are listed on the Sanddollar website<sup>15</sup>.

### Private Trust Companies

- As these types of entities serve as estate planning tools used to preserve wealth for high net worth and ultra-high net worth individuals, they **are not deemed PIEs**.

### Co-operative Credit Unions

- Generally, these entities are open to the public for voluntary membership. As these types of entities offer traditional banking services to their members which comprise a wide range and number of stakeholders, including the acceptance of deposits, Co-operative Credit Unions **are deemed PIEs**.

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<sup>14</sup> A public licensee is 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 authorized dealers, authorized agents and other public licensees

<sup>15</sup> [Key Players Sand Dollar - Bahamas](#)

### **Mandatory Category 3: Insurance to the public**

3. The third mandatory category of PIE is “an entity one of whose main functions is to provide insurance to the public”.

Entities regulated by the Insurance Act and External Insurance Act.

#### Insurers

- All general insurance companies, long-term insurance companies and unrestricted external insurance companies **are deemed PIEs**.
- Captive external insurance companies and other restricted external insurance companies **are not deemed PIEs**.

#### Intermediaries

- Insurance intermediaries are generally defined as adjusters, agents, sub-agents, brokers, risk managers or consultants. As these entities primarily provide services to insurance companies, they **are not deemed PIEs**.



## Additional recommended categories

4. IESBA's application guidance indicates that ethics standards-setting bodies are expected to add categories. The application guidance identifies the following possible categories:
  - a. Pension Funds
  - b. Collective investment vehicles
  - c. Private entities with large numbers of stakeholders (other than investors)
  - d. Not-for-profit organizations or governmental entities
  - e. Public utilities.

## Other categories considered: Pension funds

1. Multi-employer pension funds **are deemed PIEs**. This category is important due to the large range and number of stakeholders involved in these types of pension funds.
2. Single-employer pension funds **are not deemed PIEs** due to the limited number of stakeholders within these pension funds.

## Other categories considered: Collective investment vehicles

Entities regulated by the Securities Industry Act, Investment Funds Act, Financial and Corporate Service Providers Act, Digital Assets and Registered Exchanges Act and Carbon Credit Trading Act.

### Investment funds

- Investment funds in The Bahamas are generally categorized as Professional funds, standard funds, recognized foreign funds or SMART funds. Investment funds registered in the Bahamas typically receive investments from institutional and/or sophisticated investors and do not attract funds from the public directly. All investment funds, except for standard funds which are open to the public and are listed and traded on BISX, **are not deemed PIEs**.

### Other entities regulated by the SCB

- Included in this category are investment fund administrators, investment fund managers and financial corporate service providers. As these types of companies provide services which include accounting and record keeping, either discretionary or non-discretionary management/advisory services and other corporate services to funds, institutional and/or sophisticated investors they **are not deemed PIEs**.

### Digital asset businesses including registered digital asset exchanges

- As these types of entities do not take deposits from the public but rather assist in facilitating the sale, trading and exchange of digital assets they **are not deemed PIEs**.

## **Other categories considered: Private entities with large number of stakeholders (other than investors)**

We have not identified entities where there are a large number of stakeholders who would be focused on the financial condition of the entity and therefore **this additional category is not included.**

## **Other categories considered: Not-for-profit organizations or governmental entities**

**Not-for-profit organizations:** Whilst there may be significant public interest in charities if they have significant “public funding” or deliver services and activities for vulnerable communities, the public impact of their financial failures is not seen to impact a wide range of stakeholders. Therefore, **this additional category is not included.**

The National Insurance Board (NIB), the Bahamas Mortgage Corporation (BMC) and the Bahamas Development Bank (BDB): NIB, BMC and BDB are key government agencies which are included in the financial system. NIB is considered systemically important for financial institutions’ liquidity management practices. Meanwhile, neither BDB nor BMC attract deposit funding for their lending operations, and they do not represent a systemically important source of credit expansion. Therefore, **only NIB is deemed a PIE.**

Remaining governmental entities comprised of agencies and government business enterprises listed above: With respect to governmental entities, public interest is likely to be focused more on their ability to provide services, rather than their financial condition. Further, governmental entities are either audited by an independent audit firm in accordance with International Standards on Auditing or by the Office of the Auditor General in accordance with the Financial Administration and Audit Act and the Public Finance Management Act. Any additional entity that would have been classified as a PIE is either already covered as a listed entity or scoped in under the previous PIE categories. **Therefore, except for NIB, this additional category is not included.**

## **Other categories considered: Public utilities**

The largest public utility companies in The Bahamas providing services are either listed on BISX and therefore already captured as PIEs or are governmental entities. Further, public interest is likely to be focused more on their ability to provide services, rather than their financial condition. These entities are regulated for consumer price protection and do not hold assets in any fiduciary capacity. Therefore, **this additional category is not included.**