



Material Changes Disclosure Guideline

**This Guideline was issued on November 1st, 2024
pursuant to Section 53 of the Financial Services Commission Act,
2010-21**

This Guideline is intended to assist financial institutions in monitoring and reporting changes that impact or potentially significantly impact, among other things, their operations, fitness and propriety, financial status, and consequently, the regulator's ability to supervise and regulate such entities effectively.

Financial institutions are expected to implement measures to consistently comply with the Guidelines. Non-compliance with the Guidelines may result in regulatory or enforcement actions, including the imposition of conditions or restrictions on a licence or registration or the suspension or revocation of a licence or registration.

The accompanying Application Guide provides explanatory information to assist financial institutions in understanding their obligations under the Guideline. The Application Guide does not form part of the Guideline.

Applicability

This Guideline is applicable to all financial institutions licensed or registered with the Financial Services Commission.

Disclosure vs Approval

All material changes require notification or disclosure to the Commission. However, some material changes also require the Commission's prior approval¹. Financial institutions should review the relevant legislation to identify changes requiring the Commission's approval. Where the legislation requires prior approval, financial institutions must obtain the Commission's written approval before proceeding.

¹ See Appendix 2 for a list of material changes that require prior approval. The list is not exhaustive. Financial institutions are required to ensure that they are compliant with the relevant statutory obligations.

Interpretation

“Business day” means any day except any Saturday, any Sunday, any day that is a public holiday, or any day on which financial institutions are authorized or required by law or other governmental action to close

“Day(s)” means calendar day(s)

“Key person” includes a person outlined in Table 1 of the Appendix 1

“Key party” includes a person outlined in Table 2 of the Appendix 1

1. MATERIAL CHANGE

1.1 A material change is an event or decision which is likely to have or has had a significant impact on, among other things:

- i. fitness and propriety of a financial institution and individuals associated with the financial institution
- ii. a financial institution's ownership/control, operations, governance, capital, solvency, risks, risk management, and customers
- iii. supervision and regulation of a financial institution or a registered/licensed individual associated with the financial institution
- iv. the sector by posing or heightening systemic risk.

1.2 A material change can be:

- i. a planned change, including a decision of directors or officers to implement the change; A material change that requires the Commission's prior approval is considered a planned change.
- ii. an unplanned change; or
- iii. a foreseeable event.

Assessing whether to report a foreseeable event

1.3 In assessing whether a foreseeable event will trigger a material change disclosure, a financial institution should consider the following:

- i. The likelihood of the event happening
- ii. the seriousness/severity of the event
- iii. disclosure/notification/approval requirements outlined in the legislation

2. TIMING OF NOTIFICATION OF CHANGES

2.1 A financial institution is required to notify the Commission of a material change promptly. Events likely to have serious regulatory impact should be treated and communicated to the Commission as a matter of urgency, notwithstanding the disclosure deadlines established.

2.2 A financial institution is required to provide notification to the Commission within the deadlines specified in Table 1. Where a deadline for disclosure of a material change is outlined in the legislation, a financial institution is expected to notify using the shorter deadline.

Table 1:

	Type of material change	Deadline
i.	Proposed or planned	At least 30 days prior to implementation
ii.	Event-based	Within five business days of the event
iii.	Foreseeable	Within five business days of a Board discussion of the foreseeable event

2.3 A financial institution is required to obtain written confirmation from the Commission that it has no objection to specific planned material changes before taking steps to effect the change.

2.4 Material changes that require prior approval of the Commission² must be filed/submitted with the notification of the material change and by the deadline for reporting planned changes.

2.5 **Section 2.3 does not apply to circumstances where a financial institution is required to seek the Commission's prior sanction or approval to effect a change. Financial institutions must ensure they have received written approval or sanction to proceed with such a change.**

Late notification

2.5 Where a financial institution fails to notify the Commission of a material change within the relevant deadline, the financial institution is required to submit notification of the material change without further delay together with:

- i. An explanation for the delay in submitting the notification
- ii. cogent reasons why regulatory or enforcement action should not be taken against the financial institution.

² See Appendix 2 for a list of changes that require prior approval. The list is not exhaustive. Financial institutions are reminded that they should ensure that they are compliant with their statutory obligations.

3. FULL, ACCURATE DISCLOSURE

A financial institution is expected to be transparent and forthcoming in its communications with the Commission regarding material changes.

3.1 A financial institution is required to ensure that complete and accurate information about a material change is provided to the Commission. The notification must include certification by a director or an appropriate person authorised by the financial institution to file it.

3.2 Notifying the Commission of a material change includes providing information on the changes' related circumstances. A financial institution is required to provide additional information that the Commission may request regarding the change.

3.2 Where a financial institution becomes aware or has information that reasonably suggests that it has or may have provided the Commission with information that was or may have been incorrect, misleading, incomplete, or false or that the information has changed in a material aspect, it is required to notify the Commission as a matter of urgency. The disclosure in this regard must include the following:

- i. the details of the information that was or may be incorrect, misleading, incomplete, false, or materially altered.
- ii. an explanation of why the information was or may have been submitted; and
- iii. the correct or updated information.

4. FORM & METHOD OF DISCLOSURE

4.1 A financial institution is required to provide **written** notification to the Commission of a material change. A financial institution must use the templates provided by the Commission for disclosure. Where a template has not been provided, a letter addressed to the Chief Executive Officer disclosing all relevant information regarding the material change must be sent to the Commission.

4.2 A financial institution should consider whether the circumstances and urgency of a change necessitate oral notification to the Commission prior to submission of a written notification. Where oral notification is made, the financial institution is required to ensure that it has submitted the information to its usual supervisory contact or other appropriate person at the Commission.

4.3 Written notification must be delivered by one of the following methods:

- i. Email to the centralised address for the Commission³
- ii. Hand delivery to the Commission's offices
- iii. Post to the Commission's postal address
- iv. Online submission (where provided).

5. POLICIES & PROCEDURES

A financial institution is required to develop and maintain such policies and procedures as may be necessary to comply with this Guideline, including ensuring that only appropriate persons notify the Commission on its behalf.

6. SHAREHOLDING OF A FINANCIAL INSTITUTION

6.1 A financial institution is required to disclose:

- i. direct or indirect acquisition of a significant interest by a person in the financial institution.
- ii. a change in shareholding that is in a range of $\geq 5\%$ and $< 10\%$ of the stated capital held by a shareholder of the financial institution.

6.2 A financial institution must provide information regarding a new shareholder that demonstrates that the shareholder is fit and proper.

³ See Appendix 3

7. KEY PERSONS AND PARTIES

- 7.1 A financial institution is required to notify the Commission of a change involving a key person or party associated with a financial institution that is likely to impact among other things the supervision of the financial institution or a key person. Such changes include:
- i. Termination of the relationship, however, caused
 - ii. Change in the identification and contact information of certain key persons. A change of this nature should be reported as an unplanned change.
- 7.2 The reason for the change and the date that the change takes effect or took effect must be disclosed.
- 7.3 Key persons are defined and set out in Tables 1 and 2 of Appendix 1 and include but are not limited to individuals who have control or manage a financial institution or discharge certain responsibilities on behalf of the financial institution.

Key parties are defined and set out in Tables 1 and 2 of Appendix 1 and include but are not limited to external persons who perform certain services or undertake certain functions for or on behalf of financial institutions.

8. FITNESS AND PROPRIETY

- 8.1 Financial institutions are expected to ensure that they remain fit and proper to maintain their registration or licence. They are also expected to monitor key persons or parties associated with the financial institution on an ongoing basis to ensure that persons performing activities for them or on their behalf are fit and proper.
- 8.2 A financial institution is required to disclose a material change that impacts or has the potential to affect the fitness and propriety of:
- i. the financial institution and key persons of a financial institution (as defined in tables 1 and 2 of Appendix 1), including but not limited to shareholders, ultimate beneficial owners, directors, and other persons responsible for the control and management of the financial institution.

- ii. Key parties to the financial institution (as defined in tables 1 and 2 of Appendix 1), including but not limited to individuals registered or licensed to carry on business for or on behalf of the financial institution and service providers such as external auditors.

8.3 A material change disclosure regarding fitness and propriety status includes events affecting:

- i. Reputation, honesty, and integrity
- ii. Competence and capability
- iii. Financial soundness

9. OPERATIONS

A financial institution is required to disclose significant changes which impact its operations. Such material changes include but are not limited to:

- i. formation of a new subsidiary or branch in Barbados or overseas
- ii. acquisitions and amalgamations
- iii. change in business strategy
- iv. a decision to re-domicile
- v. expanding into new lines of business, providing a new product, or introducing a significant change in means of delivering services
- vi. entering into outsourcing arrangements
- vii. it becomes subject to or ceases to be subject to the regulatory regime of another regulator, including an overseas regulator
- viii. other changes that have a significant impact on a financial institution's operations.

10. BANKRUPTCY, INSOLVENCY, RECEIVERSHIP OR LIQUIDATION

A financial institution is required to disclose:

- i. an application to dissolve the financial institution; strike it off the register of companies; appoint an administrator or trustee pursuant to a bankruptcy proceeding
- ii. a petition otherwise presented to wind up the financial institution
- iii. appointment of a receiver to the financial institution

- iv. any other actions taken or likely to be taken by a third party that has resulted or is likely to result in bankruptcy, insolvency, receivership, liquidation, or wind-up of the financial institution.

11. CHANGES RELATED TO FINANCIAL SOUNDNESS & REPORTING

A financial institution is required to disclose serious or significant changes impacting its financial soundness or reporting obligations and include changes related to:

- i. capital requirements, including increased requirements for capital or adverse changes in capital
- ii. parental support and guarantee arrangements
- iii. solvency
- iv. investment losses
- v. change of financial year end
- vi. qualified opinion by an auditor or an auditor's refusal to issue an opinion
- vii. termination of professional indemnity coverage where the legislation requires such coverage
- viii. other significant events which impact the completeness of the financial information to be filed with the Commission.

12. RISK MANAGEMENT AND INTERNAL CONTROL

Material failures in a financial institution's internal controls and risk management systems must be reported to the Commission. These include serious failures impacting among other things:

- i. corporate governance
- ii. operational risk
- iii. market conduct
- iv. business conduct

13. REGULATORY BREACHES, FRAUD, AND OTHER IRREGULARITIES

A financial institution is required to report significant changes in respect of, among other things:

- i. Non-compliance by the financial institution and key persons with the requirements of the relevant legislation and regulatory guidelines.

Insurance sector

A financial institution must also report this information with respect to salesmen representing the financial institution.

- ii. fraud committed by an employee or other key persons or certain key parties (e.g., an internal auditor or supervisory committee member) against the financial institution or a customer.

Insurance sector

A financial institution must also report this information with respect to salesmen representing the financial institution.

- iii. significant accounting irregularities

Credit union sector

- iv. non-compliance with by-laws

Mutual funds sector

- v. non-compliance with constituent documents, including offering documents of a mutual fund

Securities sector

- vi. Noncompliance with the rules of a self-regulatory organisation
- vii. A self-regulatory organisation is required to report breaches of its rules by a member or issuer
- viii. market misconduct or manipulation by an employee of the financial institution or the financial institution itself.

14. INVESTIGATIONS, REGULATORY ACTION, AND OTHER PROCEEDINGS

A financial institution must disclose:

- i. investigation, regulatory action, or enforcement action initiated or undertaken by other regulators in respect of itself, its overseas branches, and key persons
- ii. criminal proceedings in respect of itself, its overseas branches, and key persons
- iii. civil proceedings in respect of itself

Insurance sector

A financial institution must also report similar information with respect to salesmen representing the financial institution.

15. BUSINESS CONTINUITY

Events that significantly interrupt a financial institution's ability to continue operations, including natural disasters and cyber-security-related threats/events, must be disclosed to the Commission by the financial institution.

16. CHANGES RELATED TO REGISTRATION/LICENSING, CONDITIONS, AUTHORISATIONS OR APPROVALS, EXEMPTION OR WAIVERS

16.1 A financial institution's licence, registration or operations may be subject to certain conditions, duties or obligations. In addition, approval or sanctions of certain matters, exemptions, and waivers may be granted to a financial institution subject to specified conditions or requirements.

16.2 A financial institution is required to report a serious or significant change related to:

- i. the information submitted for its registration or licence
- ii. the conditions, duties, or obligations attached to its registration or licence; an approval, exemption, waiver, or sanction granted

16.3 A financial institution is required to report similar material changes regarding certain key persons and parties, including persons registered or licensed to carry on business on behalf of the institution.

17. NAME CHANGE

17.1 A financial institution is required to disclose information related to a proposal to change its name, including the proposed name, the rationale for the change, and the date the change is expected to take effect.

17.2 Financial institutions are reminded that there may be requirements for certain language to be included in the name.

17.3 A financial institution shall disclose a change of name of certain key persons and parties, including persons registered or licensed to carry on business on behalf of the institution.

18. REGISTERED OFFICE/PRINCIPAL OFFICE/CONTACT INFORMATION

A financial institution is required to notify the Commission of any change in its registered office or principal office and telephone numbers.

APPENDIX 1

Tables 1 and 2 provide guidance on key persons or parties.

Table 1 – Key/relevant persons

Sector	Types of key persons
All sectors	<ul style="list-style-type: none"> • Director • Senior officer including president, vice president, chief executive officer, deputy chief executive officer, general manager, deputy general manager, chief financial controller, financial controller • Internal auditor • Compliance officer <p>Any other individual who performs functions similar to those normally performed by an individual occupying any such office by whatever name is called.</p>
Credit Union	<ul style="list-style-type: none"> • Member of supervisory committee • Member of credit committee <p>Any other person empowered by the regulations or by-laws to give directions respecting the business of a registered society</p>
Insurance	Principal representative of an insurance company
Mutual Funds/Mutual Fund Administrator	Partner in respect of an entity that is a partnership
Securities	An employee of a financial institution registered or required to be registered to carry on business or hold himself out as carrying on business in a category requiring registration, e.g., a broker, dealer, investment adviser, trader
Other	Such other persons that the Commission has otherwise identified as a key person

Key parties include persons who provide services or carry-on certain functions on behalf of a financial institution.

Table 2 – Key/relevant parties

Sector	Types of key/relevant parties
All sectors	External Auditor Actuary
Insurance	Agent Sub-agent Broker Management Company Reinsurer Salesman
Mutual Fund	Operator Investment manager Investment adviser Fund administrator/manager

APPENDIX 2

Types of material changes that require approval/sanction and notification⁴

Financial Services Commission Act, 2010-21

- Appointment of a replacement auditor
- Intention to terminate the appointment of an auditor
- Direct or indirect acquisition of a significant interest in a financial institution

Co-operative Societies Act, Cap. 378A and regulations

- Change of name
- By-law amendments
- Transfer of assets
- Dissolution of a credit union

Insurance Act, Cap. 310A and regulations

- Transfer, acquisition, or amalgamation of an insurance business
- Carrying on a variable insurance business
- Conversion to mutual companies
- Publishing offers of shares for subscription

Mutual Funds Act, Cap. 320B and regulations

- Approval of director or similar senior officer of a mutual fund administrator
- Issue, transfer, disposal, or dealing in shares of a mutual fund administrator
- Appointment of a new administrator
- Appointment of a new custodian or trustee
- Replacement of an agent
- Permanent changes in the method and frequency of dealing in a mutual fund's shares
- Suspension or cessation of dealing in shares of a mutual fund

⁴ The list is not exhaustive. Financial institutions are required to ensure that they are compliant with the relevant statutory obligations

Securities Act, Cap. 318A and regulations

- A proposed amendment to the rules of a self-regulatory organisation

APPENDIX 3

All Sectors	Email address – info@fsc.gov.bb
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