



**POLICY ON THE PURPOSE OF SECURITIES BUSINESS AND
ACTIVITIES UNDER THE SIA
(THE “SIA PURPOSE POLICY”)**

FSC/PP/004-1

Dated the 7th day of June 2024

INTRODUCTION AND OBJECTIVE

When an application for registration or authorization to conduct securities business and activities regulated under the Securities Industry Act, 2021, as amended from time to time (“SIA”) (the “Application”) is presented to the Financial Services Commission (“Commission”), the Commission first assesses that the securities business and activities described in the Application meet the purposes of the SIA¹ (the “SIA Purposes”).

In conducting that assessment, the Commission takes into account all the facts and circumstances relevant to the Application and maintains during that process an open and transparent dialogue with the applicant.

This policy outlines the principles that the Commission adopts in undertaking that assessment.

By sharing those principles with Belizean market participants, the Commission intends to increase transparency and confidence in the Belizean capital markets and reduce uncertainties.

¹ Consistent with Section 2 of the SIA.

POLICY STATEMENT

A securities business and activities meet the SIA Purposes and can be considered for registration or authorization if the Commission determines that:

- The securities business and activities are likely to contribute with at least one Benefit (as defined below) to the Belizean capital market and that Benefit is not likely to be outweighed by relevant Risks (as defined below).

The Commission will conclude that a securities business and activities do not meet the SIA Purposes and cannot be considered for registration or authorization if the Commission determines that:

- The securities business and activities are likely to contribute with at least one Benefit (as defined below) to the Belizean capital market and that Benefit is likely to be outweighed by relevant Risks (as defined below); or
- The securities business and activities in the Application are likely not to contribute with any Benefits (as defined below) to the Belizean capital market.

The Commission considers the following to be benefits that contribute to the improvement of the Belizean capital market (each a “Benefit”):

- A) Belizean capital formation and economic growth;
- B) Contribution to the development in Belize of fair and efficient capital markets;
- C) Development in or from within Belize of confidence in capital markets;
- D) Improved understanding by the Belizean markets of the risks and benefits resulting from the securities business and activities described in the Application.

The Commission considers the following to be risks for the Belizean capital market (each a “Risk”):

- A) Risk of unfair, improper or fraudulent practices that may harm the Belizean investors; and
- B) Systemic risk to the Belizean capital markets.²

² Annex A includes a description of each Benefit and Risk as currently interpreted by the Commission. Annex A is not intended as an exclusive or prescriptive list, but is made available for transparency purposes to illustrate the current interpretation of the Commission. The Commission acknowledges that this area is evolving and it will engage with market participants to keep Annex A updated.

ANNEX A

**COMMISSION INTERPRETATION OF BENEFITS AND RISKS – JUNE
[], 2024**

1) With respect to Benefits:

A) Belizean capital formation and economic growth

The Commission will assess whether the securities business and activities in the Application are likely to contribute to Belizean capital formation and economic growth.

Securities business and activities contribute to capital formation and economic growth if they are likely to support or result, among other things, in increased investment in Belizean physical capital, inventory accumulation or human capital development or more generally Belizean productive assets. Purely speculative securities business and activities will be considered as contributing to capital formation to the extent that they improve Belizean's liquidity.³

B) Contribution to the development in Belize of fair and efficient capital markets

The Commission will assess whether the securities business and activities in the Application are likely to contribute to the development of fair and efficient capital markets.

Securities business and activities contribute to the development of fair and efficient capital markets in Belize, among other things, if the pricing for the relevant securities business and activities reflect as closely as possible all available information and all participants have equal access to information, resources, and opportunities in Belize.^{4 5}

³ <https://www.sec.gov/news/speech/2011/spch040411aa.htm>

⁴ Development Committee of IOSCO 1990

⁵ "Stimulation of the Development of Emerging Securities Markets" Development Committee of IOSCO 1990

C) Development in or from within Belize of confidence in capital markets

The Commission will assess whether the securities business and activities in the Application are likely to contribute to the development of confidence in the Belizean capital markets.

Securities business and activities contribute to the development of confidence in the Belizean capital markets if:

- the securities business and activities, among other things, are transparent, providing clear and timely information to all market participants in Belize;
- the Commission has the statutory and practical ability to supervise the securities business and activities;
- the securities business and activities are not likely to negatively impact the integrity of the Belizean market (by disproportionately increasing the risk of insider trading, market manipulation, and other abusive practices that undermine market fairness);
- the securities business and activities treat all investors fairly by providing equal access to information and protection against conflicts of interest in Belize;
- the parties involved in the securities business and activities have transparent governance structures, sound risk management practices, independent boards of directors, and effective oversight mechanisms to ensure accountability and responsible management of shareholder interests.

D) Improved understanding by the Belizean markets of the risks and benefits resulting from the securities business and activities described in the Application.

The Commission will assess whether the risks and benefits resulting from the securities business and activities in the Application are likely to be understood by the Belizean investors.⁶

Investor understanding includes, among other things, the ability for a Belizean investor to assess risks associated with the proposed securities business and activities and to protect themselves against fraud (and other abuses)⁷. It includes the level of knowledge and awareness that a Belizean investor has about the financial markets, investment products and the risks involved in investing in Belize.

The Commission must have proper resources to perform its functions and exercise its powers⁸. The Commission must possess sufficient level of knowledge and expertise to understand how the relevant new securities business and activities for which an application is submitted impact the functioning of the financial system and its broader macroeconomic and global linkages, products, services, institutions, systems, and markets connected to the Belizean financial system⁹.

2) With respect to Risks:

A) Risk of unfair, improper or fraudulent practices that may harm the Belizean investors

The Commission will assess whether the securities business and activities in the Application are likely to raise the risk of unfair, improper, or fraudulent practices that may harm the Belizean investors.

Securities business and activities raise the risk of unfair, improper, or fraudulent practices when the relevant information is not shared timely with all market participants in Belize and when the information is not transparent or misleading.

B) Systemic risk to the Belizean capital markets

⁶ Include customers or other consumers of financial services as defined by the IOSCO Objectives and Principles of Securities Regulation.

⁷ Methodology For Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation (2007)

⁸ IOSCO Objectives and Principles of Securities Regulation

⁹ OECD (Policy Framework for Effective and Efficient Financial Regulation) 2010

The Commission will assess whether the securities business and activities in the Application are likely to increase systemic risk within Belize¹⁰.

Systemic risk refers to the potential that an event, action, or series of events or actions could have a widespread adverse effect on the Belizean financial system and, in consequence, on the economy.¹¹ Acceptable systemic risk is the threshold at which the potential impact of a market-wide disruption is deemed manageable and does not pose a significant threat to the stability of the overall financial system.

¹⁰ The Commission will take into account for its determination dominant international considerations.

¹¹ IOSCO Principles Relating to the Regulator