



EQUITY

BANK AND TRUST BAHAMAS LIMITED

Segregated Accounts Companies

Segregated Accounts Companies (SACs) were introduced with the passing of the Segregated Accounts Companies Act 2004. SACs, also called Protected Cell Companies in some other jurisdictions, generally are used by the investment funds and insurance industries. The main benefit of a SAC is that the assets and liabilities of each segregated account in the company are exclusive to that respective account and do not affect the other accounts. As such, each account is insulated and protected from the occurrences in the other accounts.

Once an IBC has been incorporated, it can be registered as a SAC. This Registration does not change the company's designation as an IBC; it is simply an IBC registered under the SAC Act. As such, in addition to paying the annual fees for the IBC itself, annual fees also need to be paid for the SAC and its respective accounts.

It is important to note that a segregated account is not a legal person distinct from the SAC. Therefore, a SAC must inform any person with whom it deals that it is a SAC and more specifically the SAC must identify the segregated account involved in a particular transaction.

All assets linked by a SAC to a segregated account are to be held by the SAC as a separate fund which will not form part of the general account of the SAC but instead is held exclusively for the benefit of the account owners of the particular segregated account. Those assets will then be made available to meet the rights of the account holders and to satisfy the liabilities which may be connected to the particular segregated account.

Likewise the SAC will record what assets are in its general account and those assets shall be the only assets of the SAC available to meet the general liabilities of the SAC. Assets in the SAC general account will not be available to satisfy any liability which is linked to a segregated account.

Governing Instruments

The governing instruments for the SAC will outline the rights, obligations and interest of the account owners in a segregated account of the SAC. It may also provide for the management of the segregated accounts,

appointment of one or managers and the procedure for the winding up of the affairs and termination of the segregated account.

The governing instruments may take the form of one or more written documents or agreements consisting of e.g. the Memorandum or Articles of Association for the SAC, resolutions of directors, registers or other electronic records. The governing instruments must be governed by the laws of The Bahamas and the parties to the instruments must also submit to the jurisdiction of the courts of The Bahamas. Additionally, the rights and obligations of the counterparties dealing with the SAC should be provided for in the form of contracts.

Information Required for Filing as a Segregated Accounts Company

The request to be registered as a SAC must be filed with The Bahamas Registrar and contain the following information:

- The name of the company should include SAC or Segregated Accounts Company.
- The nature of the business.
- The address of the registered office of the company in The Bahamas.
- The date of incorporation of the company.

Structure

A SAC whether governed by the Companies Act or the International Business Companies Act must be engaged in one of the following businesses:

- Investment Funds.
- Issuing Securities.
- Insurance.

Otherwise the SAC must be:

- A Subsidiary of a Bank or Trust Company (not licensed by the Central Bank); or



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- Engaged in a business where the Minister responsible for Companies has recommended a primary regulator.
- No Company licensed under the Banks and Trust Companies Regulation Act may register as a SAC.

Advantages of Segregating Assets in a SAC

The advantages in segregating assets in a SAC can be summed up as follows:

- The holding of assets in a SAC protects the account owner from any claims made by creditors general or the creditors of the other segregated accounts.
- A company that is registered as a SAC may segregate its assets into separate accounts.
- When winding up a SAC the Liquidator shall deal with the assets and liabilities which are linked to each segregated account and accordingly shall ensure that the assets linked to one segregated account are not applied to the liabilities linked to any other segregated account unless an asset or liability is linked to more than one segregated account, in which case the Liquidator shall deal with the asset or liability in accordance with the terms of the applicable governing instrument or contract.