

Modernizing the Segregated Accounts Framework: Key Reforms Under the Segregated Accounts Companies Act, 2025

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INTRODUCTION

The Segregated Accounts Companies Act, 2025 represents a landmark reform in The Bahamas' corporate law landscape. It replaces the Segregated Accounts Companies Act, 2004 with a modernized, comprehensive framework designed to expand the applicability, flexibility, and global competitiveness of segregated account structures.

By introducing new categories of eligible entities, strengthening regulatory oversight, and, most significantly, establishing the Incorporated Segregated Accounts Company (ISAC) regime, the 2025 Act positions The Bahamas among leading jurisdictions offering advanced corporate structuring options. The legislation also introduces procedural modernization, expanded insolvency safeguards, and dynamic mechanisms for demergers, mergers, and continuations, ensuring that Bahamian entities can evolve seamlessly in an increasingly complex financial and commercial environment.

The following provides a structured overview of the key innovations and implications of the 2025 Act.

EXPANDED ELIGIBILITY FOR SEGREGATED ACCOUNTS COMPANY REGISTRATION

A significant advancement introduced by the Segregated Accounts Companies Act, 2025 is the expansion of the types of entities eligible to register as Segregated Accounts Companies (SACs).

Previously, the 2004 Act limited eligibility largely to entities licensed under the Investment Funds Act, the Insurance Act, or subsidiaries of banks and trust companies regulated by the Central Bank of The Bahamas. This narrow scope confined the use of the SAC structure primarily to traditional financial institutions.

The 2025 Act broadens that framework considerably. Section 3(2) now extends eligibility to companies registered or licensed under the Securities Industry Act, the Carbon Credit Trading Act, and the Digital Assets and Registered Exchanges (DARE) Act. It also opens the door for unregulated companies to register as SACs, subject to the Registrar's approval and satisfaction of prescribed compliance standards. This more inclusive approach reflects The Bahamas' ongoing commitment to innovation, diversification, and adaptability.

FROM CONSULTATION TO CONSENT: STRENGTHENING REGULATORY CONTROL

The Segregated Accounts Companies Act, 2025 strengthens the role of financial regulators in the SAC registration process. Under the previous regime, applicants were only required to consult with their primary regulator before registration. The new Act replaces that approach with a mandatory consent framework. Regulated entities, including those licensed under the Investment Funds Act, Insurance Act, Securities Industry Act, or Digital Assets and Registered Exchanges (DARE) Act, must now secure written consent from their regulator before being registered as a SAC. Regulators are further empowered to attach binding conditions to that approval.

This shift marks a deliberate move toward stronger oversight and alignment between the Registrar and financial regulators, ensuring consistency, accountability, and cohesive supervision across The Bahamas' corporate and financial sectors.

PROCEDURAL AND REGISTRY REFORMS

Sections 10 to 12 of the 2025 Act establish a clear framework for the de-registration, reinstatement, and restoration of segregated accounts and SACs. The 2004 Act contained no provisions governing how a segregated accounts company or its individual accounts could formally exit or re-enter the register.

The 2025 Act addresses this by empowering directors to apply for de-registration or reinstatement within twelve months, subject to the Registrar's approval. The Registrar may also restore accounts removed for non-payment of fees once outstanding amounts are settled.

Additionally, where a company or account is subject to receivership, removal from the register cannot occur without leave of the court, thereby ensuring creditor protection and maintaining judicial oversight.



THE INTRODUCTION OF THE INCORPORATED SEGREGATED ACCOUNTS COMPANY (ISAC)

The creation of the Incorporated Segregated Accounts Company (ISAC) marks a major step forward in how businesses in The Bahamas can organize and protect their operations. By granting each segregated account its own legal personality, the ISAC model moves beyond internal separation to provide independent incorporation, delivering greater legal certainty and structural flexibility.

An ISAC is a unique corporate structure under which each segregated account may be established as a separate body corporate with its own legal personality. Each incorporated account has the capacity to own property, enter into contracts, and initiate or defend legal proceedings in its own name, while remaining administratively connected to the parent company.

Registration of an ISAC (Sections 42–44)

While the registration process for an ISAC largely mirrors that of a traditional SAC, section 42 of the 2025 Act expands the framework to reflect its enhanced structural and legal features. A company incorporated under the Companies Act or the International Business Companies Act may apply for registration as an ISAC, provided it meets the eligibility criteria and submits the documentation specified in section 43.

Upon approval, the Registrar issues a certificate of registration (section 44), entering the company in the Register of ISACs and its accounts in corresponding sub-registers. Registration formally confers

separate legal personality upon each incorporated segregated account, distinguishing the ISAC regime from traditional SACs.

THE NATURE, INCORPORATION, AND LEGAL EFFECT OF INCORPORATED SEGREGATED ACCOUNTS (ISAS)

Part IV (sections 47–51) of the 2025 Act establishes the Incorporated Segregated Account (ISA) as the operational foundation of the ISAC framework. Each ISA is constituted as a body corporate with perpetual succession, possessing the capacity to own property, enter into contracts, and initiate or defend legal proceedings in its own name. This statutory recognition transforms what were once internal accounts into independent legal entities, each operating autonomously while remaining administratively connected to the parent ISAC.

Incorporation and Certification (Sections 48–49)

An ISAC may apply to the Registrar to incorporate a segregated account, and upon approval, the Registrar issues a certificate of incorporation, which serves as conclusive evidence of legal existence. This process creates distinct incorporated entities under the ISAC umbrella.

Assets and Liabilities (Sections 50–51)

Sections 50 and 51 enshrine strict separation between the assets and liabilities of the ISAC and its ISAs. Each account's property is insulated from others, and neither the ISAC nor any ISA has proprietary interest in the assets of the other. This statutory firewall ensures robust creditor protection and financial independence across the structure. Together, sections 47–51 create a legally secure, flexible system of incorporated sub-entities, ideal for multi-cell funds, insurance structures, and digital enterprises.

RECEIVERSHIP AND WINDING UP: ENHANCED CLARITY AND LEGAL SEGREGATION

The 2025 Act modernizes receivership and winding-up provisions, offering greater procedural precision and recognizing the separate legal personality of ISAs. Unlike the 2004 Act, which applied a single-entity approach, the 2025 Act permits receivership or liquidation of individual ISAs independent of the parent ISAC. It also requires judicial oversight before removing a company or account under receivership from the register, enhancing creditor protection.

These provisions ensure that insolvency or winding up of one incorporated account does not affect the solvency of other accounts or the ISAC itself, reinforcing the principle of ring-fenced insolvency and promoting business continuity.

CORPORATE MOBILITY AND STRUCTURAL FLEXIBILITY: DEMERGERS, MERGERS, AND CONTINUATIONS

Part VI (sections 75–85) introduces a comprehensive framework that facilitates corporate restructuring, reorganization, and cross-regime migration while preserving the legal continuity of the entities involved.

Demergers (Sections 75–79)

These provisions allow SACs and ISACs to divide their structures into multiple companies without liquidation. A court-supervised demerger plan ensures fair distribution of assets and liabilities, continuity of contracts, and protection of creditors. Each resulting company receives a certificate of demerger, confirming valid continuation.

Mergers, Consolidations, and Transfers (Sections 80–82)

Sections 80–82 authorize mergers, consolidations, and transfers between SACs, ISACs, or other Bahamian entities, subject to special resolution and regulatory consent. Section 82 guarantees continuity of assets and liabilities, avoiding the need for novation.

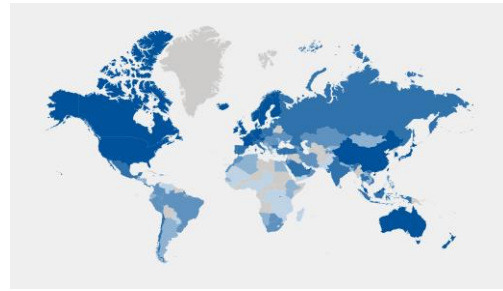
Continuations and Discontinuances (Sections 83–85)

Sections 83 to 85 introduce a forward-looking framework for corporate continuations and discontinuances, reinforcing The Bahamas' position as a jurisdiction that supports seamless corporate mobility.

Under these provisions, a Segregated Accounts Company (SAC) or Incorporated Segregated Accounts Company (ISAC) may be continued as a standard company under the Companies Act or the International Business Companies (IBC) Act, ensuring uninterrupted corporate existence. Conversely, companies formed under those Acts may elect to continue as SACs or ISACs, gaining access to the benefits of the segregated account structure without the need for reincorporation.

A particularly notable innovation appears in section 84, which permits an Incorporated Segregated Account (ISA) to continue as an independent company under the Companies Act or the IBC Act. This provision allows an ISA to transition out of the ISAC framework while retaining its legal identity, assets, liabilities, and corporate history. Together, these mechanisms provide companies with the ability to restructure or migrate across regimes without disruption, offering

exceptional flexibility for strategic business planning and cross-border operations.



CONCLUSION: STRENGTHENING THE BAHAMAS' GLOBAL COMPETITIVENESS

The Segregated Accounts Companies Act, 2025 is more than a statutory revision, it is a strategic modernization of The Bahamas' corporate law framework. By broadening eligibility, reinforcing regulatory integrity, introducing incorporated accounts, and enabling seamless corporate mobility, the Act bridges traditional finance with the realities of digital, sustainable, and cross-border business.

Through this legislation, The Bahamas positions itself not merely as a financial centre, but as a jurisdiction of choice for innovation, corporate resilience, and global structuring flexibility.