



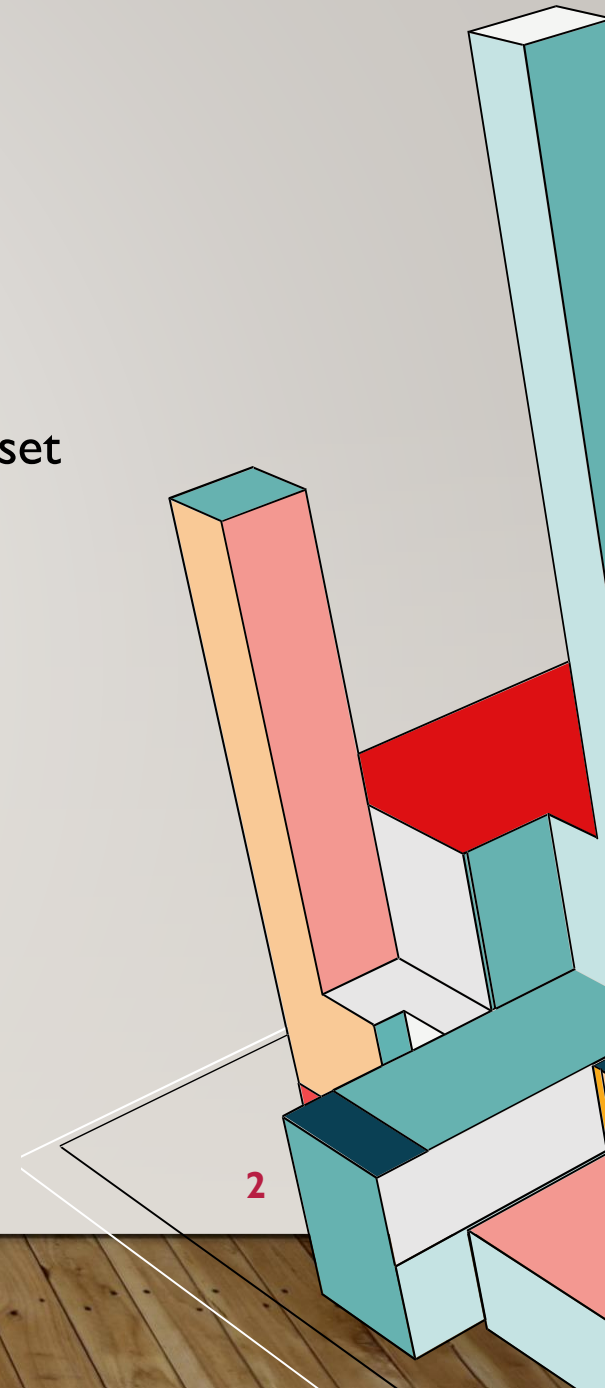
NRA SUMMARY OF KEY FINDINGS

**DNFBP SECTOR SUPERVISION
THE COMPLIANCE COMMISSION OF THE BAHAMAS**

March 27th 2025

AGENDA

- Introduction
- Overview of Risk Assessment Methodology (Key Modules, Assessment Process)
- National Risk Assessment (NRA) Scope (Financial & Non-Financial Sectors, Digital Asset Business, Legal Persons & Arrangements)
- Steps taken to conduct National Risk Assessment
- National Money Laundering Threats (Domestic & International)
- National Vulnerabilities
- Overview of DNFBPs & Summary of Risk Assessment Results
- Prioritization - Action Steps to Strengthen AML Controls in the DNFBP sector
- Concluding Remarks



INTRODUCTION

- Money laundering risk understanding is a foundational element on which a national AML/CFT system is built.
- This is reinforced by recommendation I of the FATF standards, which requires countries to “identify, assess and understand” its money laundering risks and to take action to ensure that these risks “are mitigated effectively”.
- The development of accurate and up-to-date risk understanding is an ongoing, dynamic process for a country. A process that necessitates responding to changing environmental factors, constantly assessing new information, and scanning the horizon for risks that may be emerging or materializing.
- Accordingly, it is important that a country takes a structured and coherent approach to developing an up-to-date risk understanding. One such common approach for a country to take is through the conduct of a national risk assessment (NRA).

INTRODUCTION CONT'D

- An NRA is a comprehensive process used by countries to identify, assess, and understand the ML and TF, and PF risks they face.
- This process involves evaluating threats and vulnerabilities, determining the level of risk, and developing strategies aligned to ML risks. This includes taking enhanced measures where risks are higher and taking simplified or lesser measures where risks are lower.
- The NRA provides an evidence-based foundation for informed policymaking, resource allocation, and the implementation of effective AML/CFT measures.
- It ensures that national strategies are aligned with the specific risk landscape of the country and that they address both domestic and international threats to the extent they are connected to the country.

INTRODUCTION CONT'D

- Properly understanding ML/TF risks informs and supports countries' application of AML/CFT measures that are proportionate with the risks i.e. The risk-based approach (RBA), that is central to the FATF standards and should assist countries in prioritisation and efficient allocation of resources.
- The results of a national risk assessment (NRA) should provide useful information to financial institutions (FIs) designated non-financial businesses and professions (DNFBPs) to support their own assessments and risk mitigation measures.
- Countries should have a mechanism to provide information on the results of the risk assessment(s) to all relevant competent authorities and self-regulatory bodies (SRBs), FIs, and DNFBPs – and this is the purpose of this meeting – the NRA of the Bahamas findings are posted on the cc website.
- The CC, along with all the regulators, is preparing for the mutual evaluation of the Bahamas by CFATF in 2026 – more to details to follow. Also, TF, legal persons, and arrangements & PF country risk assessments are underway for completion in 2025.
- Finally, CC is working to update the sectorial risk assessments by June 2025.

*Sources FATF NRA Publications.

OVERVIEW OF RISK ASSESSMENT METHODOLOGY

- Assessment conducted using World Bank's 7-module risk assessment model
- World Bank provided tool and guidance

Key Modules:

1. National ML Threat
2. National Vulnerability
3. Banking Sector Vulnerability
4. Securities Sector Vulnerability
5. Insurance Sector Vulnerability
6. Other Financial Sectors Vulnerability
7. Non-Financial Sectors Vulnerability (DNFBPs)

OVERVIEW OF RISK ASSESSMENT METHODOLOGY CONT'D

Assessment Process:

- Financial Intelligence Unit and Royal Bahamas Police Force evaluated national and cross-border ML threats (Module 1)
- Attorney General's Office led national vulnerability assessment (Module 2)
- Working groups assessed sector-specific vulnerabilities (Modules 3-7)
- Quantitative ratings assigned to each sector and product (Modules 3-7)

NATIONAL RISK ASSESSMENT SCOPE

- 2021/2022 NRA: FOLLOW-UP TO 2015/2016 ASSESSMENT
- FOCUSED EXCLUSIVELY ON MONEY LAUNDERING RISK
- REVIEW PERIOD: JANUARY 2017 - DECEMBER 2022 (EXTENDED DUE TO COVID-19)

SECTORS ASSESSED:

- BANKING & TRUST COMPANIES
- CREDIT UNIONS
- SECURITIES
- INSURANCE
- MONEY SERVICE BUSINESS
- FINANCIAL AND CORPORATE SERVICES PROVIDERS
- LEGAL AND ACCOUNTING PROFESSIONS
- REAL ESTATE BROKERS
- DEALERS IN PRECIOUS METALS AND STONES
- GOVERNMENT FINANCIAL SERVICE PROVIDERS
- CASINO AND GAMING HOUSE SECTOR

DIGITAL ASSET BUSINESS

- DIGITAL ASSET BUSINESS: SEPARATE 2022 ASSESSMENT (NOT INCLUDED IN THIS NRA)

LEGAL PERSONS AND ARRANGEMENTS

- LEGAL PERSONS AND ARRANGEMENTS: PLANNED FOR FUTURE STANDALONE EVALUATION

STEPS TAKEN TO CONDUCT NATIONAL RISK ASSESSMENT

- **Step One: Establish Working Groups**

- Comprised representatives from all relevant government authorities

- **Step Two: Develop and Distribute Surveys**

- Customized for various financial and non-financial sectors
- Gathered information on products, services, payment methods, and delivery channels

- **Step Three: Analyze Data and Conduct Stakeholder Sessions**

- Reviewed survey responses, regulatory files, and other reputable sources
- Used World Bank modules for analysis
- Discussed assessments with industry stakeholders and incorporated feedback

- **Step Four : Submit Draft Report to World Bank**

- Sent for review in late May 2024
- Received comments by mid-July 2024

- **Step Five: Finalize and Approve NRA**

- Discussed national threats and vulnerabilities
- Gathered data from regulators, legal framework, and law enforcement agencies
- Completed by October 2024
- Approved by Cabinet in early December 2024 for dissemination

- **Future Plans:**

- Refresh NRA every 3-5 years
- Coordinated through IRF Steering Committee

NATIONAL MONEY LAUNDERING THREATS

- DOMESTIC MONEY LAUNDERING THREATS

Domestic Threats:

- Fraud
- Human trafficking
- Gun trafficking
- Drug trafficking

Top Money Laundering Predicate Offenses:

- Drug trafficking
- Fraud
 - Fraud by false pretenses
 - Stealing by reason of employment
 - Possession of forged documents
 - Counterfeit currency
 - Forgeries

Trends:

• Despite fraud and drug trafficking remaining significant threats, the government has seen some success in curbing certain crime categories, possibly aided by pandemic disruptions

• Other substantial areas of concern:

- Armed robbery
- Robbery
- Stolen vehicles and firearms
- Cybercrime
- Bribery and corruption

Overall Assessment:

• These predicate categories present **medium to high** potential money laundering threats

NATIONAL MONEY LAUNDERING THREATS

- INTERNATIONAL MONEY LAUNDERING THREATS

Mutual Legal Assistance Requests:

- Bahamas has treaties with US, Canada, UK
- 204 information requests from 2017-2022
- 11 requests related to tax fraud

Key Threats:

- Tax fraud from non-residents - significant ML threat to financial center
- Other predicate threats identified:
 - Corruption (58 cases)
 - Fraud (78 cases)
 - Money laundering (97 cases)
 - Bribery (16 cases)

Transshipment and Importation:

- Border control and police seize drugs, firearms, ammunition

Overall Assessment:

- Key international ML threats: fraud (including tax fraud), bribery, corruption, firearms smuggling, drug trafficking
- Threat level assessed as **HIGH**

NATIONAL VULNERABILITIES

- **Boost Resources for Financial Crime Investigators**
 - Enhance manpower, IT tools, procedures, and training in law enforcement agencies (Border Control, Customs, Immigration, RBPF-Financial Crime Investigation Branch).
 - **Increase Prosecutorial Resources**
 - Allocate more resources at the Office of the Director of Public Prosecutions to efficiently manage caseloads.
 - **Enhance Judicial Resources and Training**
 - Continue to increase judicial resources and provide specialized training on AML/CFT.
 - **Ensure Appropriate Staffing in Regulatory Agencies**
 - Assess and address staffing needs to strengthen regulatory oversight and effectiveness.
- *See page 15 of the Report on 2022 Money Laundering Risk Assessment Summary of Key Findings for an exhaustive of vulnerabilities.*

OVERVIEW OF DESIGNATED NON-FINANCIAL BUSINESSES & PROFESSIONS & SUMMARY OF RISK ASSESSMENT RESULTS

REAL ESTATE SECTOR



Economic Impact

Valued at \$2 billion in 2022, contributing 15.6% to GDP.

Attractive to local and international investors, particularly in luxury markets.



Regulatory Scrutiny

High scrutiny due to money laundering and terrorist financing risks.

128 brokers and developers registered with the Compliance Commission (CC) in 2022.

Majority are small businesses or sole proprietorships:



Compliance & Controls

Customer due diligence (CDD) mandated under AML/CFT/CPF regulations.

Comprehensive controls throughout transaction stages, supported by the Central Bank.

Involvement of banks and financial institutions helps mitigate risks.



Risk Mitigation Measures

Stringent entry controls and regulatory oversight mitigate criminal activities.

Transaction funds are typically handled by legal professionals and financial institutions, not brokers.



Risk Assessment

Inherent **medium-high** ML risk, but overall rated **medium** due to effective controls, limited exposure to high-risk entities, and minimal cash transactions.

OVERVIEW OF DESIGNATED NON-FINANCIAL BUSINESSES & PROFESSIONS & SUMMARY OF RISK ASSESSMENT RESULTS

DPMS SECTOR

- **Regulatory Framework**
 - Dealers must register with the Competent Authority (CC) as financial institutions.
- **Vulnerability to Money Laundering**
 - High value, portability, and convertibility of precious metals and stones present risks.
 - No recent suspicious transaction reports (STRs) or money laundering incidents.
 - Gold and diamonds are particularly vulnerable.
- **Market Characteristics**
 - Potential client base exceeds 9 million, mainly tourists from the USA.
 - Retail landscape includes 14 jewelry stores and 2 pawn shops.
 - Sales peak during tourist seasons, aided by tax-free status.
 - Few stores (5) exceed \$15,000 in transactions
- **Customer Demographics**
 - Customers primarily from The Bahamas, USA, UK, and Canada, mostly from low-risk countries.
- **Tax and Monitoring**
 - Implementation of Global Blue VAT Refund System for tax-free shopping for tourists – tool to gather KYC information
 - Electronic tracking of transactions and VAT refunds for monitoring.
- **Risk Assessment**
 - Overall **medium** money laundering risk, with inherent ML risk rated **medium-high**.

OVERVIEW OF DESIGNATED NON-FINANCIAL BUSINESSES & PROFESSIONS & SUMMARY OF RISK ASSESSMENT RESULTS

ACCOUNTING SECTOR

• Sector Focus

- The majority of accounting firms audit commercial operations, including banks and retail businesses and do not provide the services to be registered with the CC.

• Regulatory Classification

- Accountants classified as financial institutions under FTRA 2018 for AML purposes when conducting the services in section 4 e and f.
- 41 firms provide audit services; only 2 registered with the Compliance Commission (CC) for AML supervision.

• Service Scope and Risks

- Registered firms offer client fund management and registered office services, potentially attracting money launderers.
- Low number of suspicious transaction reports (only 3 filed over 2017-2022 period)

• Client Base and Compliance

- Clientele includes corporate entities from The Bahamas, USA, and Canada.
- Strong identification processes for beneficial ownership in place.
- High compliance levels maintained by registered firms with regular training and documentation of high-risk clients, and a requirement to report suspicious activities to the Financial Intelligence Unit (FIU).

• AML Processes

- Compliance with Know Your Customer (KYC) and Customer Due Diligence (CDD) to ensure operational integrity and reduce money laundering risks.

• Risk Assessment

- Inherent money laundering risk in the accounting sector rated as **medium**; overall ML risks categorized as **medium-low**.

OVERVIEW OF DESIGNATED NON-FINANCIAL BUSINESSES & PROFESSIONS & SUMMARY OF RISK ASSESSMENT RESULTS

LEGAL SECTOR

- **Regulatory Standing**

- 159 law firms registered with the Compliance Commission (CC), including various sizes.

- **Vulnerability to Criminal Activity**

- Legal services can obscure ownership and source of funds, appealing to criminals.
- Increase in non-face-to-face transactions due to COVID-19, but no significant issues reported.

- **Client Demographics**

- Clients mainly from The Bahamas, USA, Canada, and Europe, with limited exposure to high-risk countries.
- Large international clientele necessitates constant vigilance against AML risks.

- **Financial Activity**

- Low cash activity; attorney and legal firm deposits represent 45% of total deposits (based on a Central Bank survey of deposit flows in 17 sectors where global experience suggest we should be looking hardest for money laundering), mainly from cross-border transactions.

- **Compliance and Training**

- Larger firms demonstrate stronger understanding of AML obligations
- Risk profile of the law firms registered with the CC reveals that the majority are sole proprietors/small companies conducting domestic business with low revenue

- **Examination Findings**

- Improved policies and procedures noted in 2021/2022, with enhanced AML training.

- **Revenue Sources**

- Over 50% of law firms derive revenue from real estate transactions.
- Funds are primarily processed through the banking system

- **Risk Assessment**

- **High** inherent money laundering risk due to diverse services for non-residents and complex legal structures.
- Overall money laundering risk for the sector assessed as **medium**, bolstered by regulatory oversight, fit & proper criteria and strong AML measures.

OVERVIEW OF DESIGNATED NON-FINANCIAL BUSINESSES & PROFESSIONS & SUMMARY OF RISK ASSESSMENT RESULTS

PERSONS ACTING IN THE CAPACITY OF TRUSTEES

- **Registrant Overview**

- One acts as trustees for clients primarily from Canada and some from the UK.
- The second is a government owned entity that maintains a provident fund that provides a defined contribution plan in Bahamian dollars for employees.

- **Risk Assessment**

- The sector overall has been assessed as **medium** considering the regulatory controls.

SUMMARY OF RISK ASSESSMENT RESULTS

DESIGNATED GOVERNMENT AGENCIES

- **Bahamas Mortgage Corporation (BMC)**

- **Medium-low** inherent ML risk; **low** money laundering risk due to borrowers being low-income Bahamian citizens.

- **Bahamas Development Bank (BDB)**

- **Medium-low** inherent ML risk; **low** money laundering risk as most loans are repaid via salary deductions and government contracts, with no STRs filed.
- Limited PEPs, and most customers are low risk.

- **Post Office Savings Bank (POSB)**

- **High** inherent and money laundering risk due to weak internal controls and reported ML incidents.

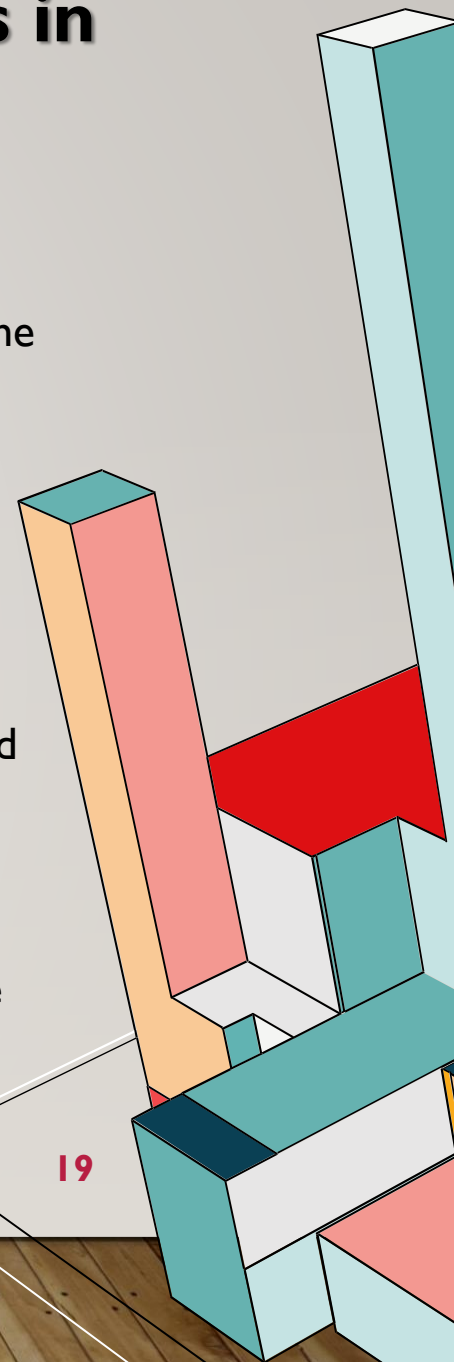
Prioritization - Action Steps to Strengthen AML Controls in the DNFBP Sector

Real Estate Sector

- The Compliance Commission will continue with the active AML training program to improve AML awareness.
- Ensure that RegTech solutions are developed and implemented to support and facilitate the onsite examinations program.
- Continue to build relationship with BREa to ensure registrants adhere to FATF standards for the AML/CFT/CPF obligations for the sector.

DPMS

- Conduct risk-based AML examinations on the few firms that are conducting transactions above the \$15,000 transaction threshold in the first half of 2025.
- Focus on raising awareness of AML obligations and in particular: red flags, suspicious transactions procedures, implementation of compliance programs, and best practices via e-sessions, notices and periodic newsletter.
- Encourage the formation of an industry association to represent industry and promote best practices.



Prioritization - Action Steps to Strengthen AML Controls in the DNFBP Sector Cont'd

Lawyers

- Collaborate with BBA to identify law firms or lawyers who fall within the parameters of FTRA section 4.
- Focus on AML training and in particular suspicious transactions and procedures.

Accountants

- Maintain a strong relationship with BICA to ensure best practices are communicated to members and monitoring business lines of members to ensure that all practitioners who are conducting business listed in section 4 FTRA 2018 are referred for registration to CC.

THANK YOU

