

ARE VEHICLES A MATERIAL MONEY LAUNDERING RISK IN THE BAHAMAS?

This note reviews the relevant data on Bahamian vehicle sales, to assess the degree to which vehicles are money laundering risks. The presumed transmission channel is cash purchases of vehicles, which are then used by the money launderer, or re-sold to create apparently legitimate proceeds. A country with material vehicle-based money laundering would be expected to exhibit a high level of vehicle sales, concentrated on expensive vehicles and featuring cash/currency rather than on-credit sales.

The Bahamian vehicle industry

All vehicles are imported. There is a conventional network of franchised new vehicle dealers, and a network of used car dealers. Essentially all new cars are left hand drive, which is somewhat awkward in a country with driving in the left hand lane.

There is also a substantial network of private, Japanese importers. Bahamians are able to purchase used cars from Japan at reasonable prices (typically \$5,000 to \$20,000), and these cars are right hand drive.

Bahamian vehicle sales are subject to a 12 per cent value added tax, plus a 65 per cent import duty (discounted for electric vehicles and some commercial applications). As a rough rule of thumb, a privately imported car will cost double the foreign sales amount, once transport and taxes are included.

Standard Bahamian speed limits are 25 and 30 miles per hour, with highway limits at 45 miles per hour.

2018 Vehicle imports

The Customs Department has kindly provided the Central Bank with a list of the 100 most valuable vehicles imported into The Bahamas in 2018. This list includes both new and used vehicles, and both commercial and private use vehicles. All prices quoted in this section are pre-tax, and where relevant before any auto dealer mark-up.

Vehicle types

35 of the vehicles were commercial trucks. The more expensive trucks were among the most expensive 2018 vehicles, with 13 of the 20 most expensive imports.

Of the remaining 65 vehicles, a majority are large SUVs and heavy-duty pickups, which are often deployed as livery or construction vehicles. Examples include Chevrolet Suburbans and Cadillac Escalades. Only 11 sedans and sports cars were in the top 100 group. This data set does not distinguish between the intended private or commercial use of an imported vehicle, but it is likely that a majority of the 65 non-truck vehicles are deployed in commercial livery and construction roles.

Put simply, very few private luxury vehicles were imported into The Bahamas in 2018.

Vehicle prices

Pre-tax prices ranged from over \$130,000 to \$36,000, with 13 vehicles imported over \$100,000 in value. Nine of those 13 vehicles were trucks, exceeding 5 tonnes gross vehicle weight and in some cases exceeding 20 tonnes.

The average import price across the 100 vehicles was approximately \$50,000.

Dealer data

According to data received from the Bahamian automobile dealers association, new car sales have reduced from 4,500 in 2007 to 1,300 in 2018, with the substantial bulk of 2018 sales arising from modestly priced vehicles.

The Central Bank has collected data on aggregate domestic bank deposits in 2018. For automobile dealers, deposits (including sales and repairs) totaled \$122 million, of which \$24 million was paid in cash, and the remaining \$98 million in non-cash forms. This is consistent with bank and dealer reporting that most cars are financed by debt, rather than purchased without debt and with currency.

The auto dealer deposits do not include private imports, which as noted are substantial and mainly from Japan. Payment for these imports is via wire transfer. Funds for the wire transfer come from a purchaser's bank account or cash purchase of a wire transfer; in either case the purchaser would have to be identified.

Therefore, the proportion of currency used to buy vehicles in The Bahamas is quite low.

Summary: Are vehicles a material money laundering risk in The Bahamas?

The Bahamas displays a low rate of vehicle sales, with expensive sales concentrated on working rather than luxury vehicles, and with a quite small proportion of sales directly involving currency. These patterns suggest that money laundering is not a material risk for the Bahamian vehicle industry.

Given the very high taxes associated with vehicles, low Bahamian speed limits, and limited driving opportunities, this is an unsurprising outcome.

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Central Bank of The Bahamas

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