

Scorecard: The Bahamas

FATF Mutual Evaluation and Follow-Up Reports



RISK | STRATEGY | CYBER COMPLIANCE MANAGEMENT



What are the FATF 40 Recommendations?

The FATF Recommendations outline and elaborate on a comprehensive and consistent framework for countries to implement as a means to combat money laundering (ML), terrorist financing (TF), as well as the financing of weapons of mass destruction. Due to the diversity and differences in the administrative, financial, legal and operational systems and measures of different countries, the FATF Recommendations serve as the international standard, which countries may adapt to their state of priorities and affairs.



AML/CFT Policies and Coordination

- R1** Assessing risks and applying a risk-based approach
- R2** National cooperation and coordination

Terrorist Financing and Financing of Proliferation

- R5** Terrorist financing offence
- R6** Targeted financial sanctions related to terrorism and terrorist financing
- R7** Targeted financial sanctions related to proliferation
- R8** Non-profit organisations (NPOs)

International Cooperation

- R36** International instruments
- R37** Mutual legal assistance
- R38** Mutual legal assistance: freezing and confiscation
- R39** Extradition
- R40** Other forms of international cooperation

Transparency and BO of Legal Persons and Arrangements

- R24** Transparency and beneficial ownership (BO) of legal persons
- R25** Transparency and BO of legal arrangements

Money Laundering and Confiscation

- R3** Money laundering offence
- R4** Confiscation and provisional measures



Powers and Responsibilities of Competent Authorities and Other Institutional Measures

- R26** Regulation and supervision of financial institutions
- R27** Powers of supervisors
- R28** Regulation and supervision of DNFBPs
- R29** Financial intelligence units
- R30** Responsibilities of law enforcement and investigative authorities
- R31** Powers of law enforcement and investigative authorities
- R32** Cash couriers
- R33** Statistics
- R34** Guidance and feedback
- R35** Sanctions



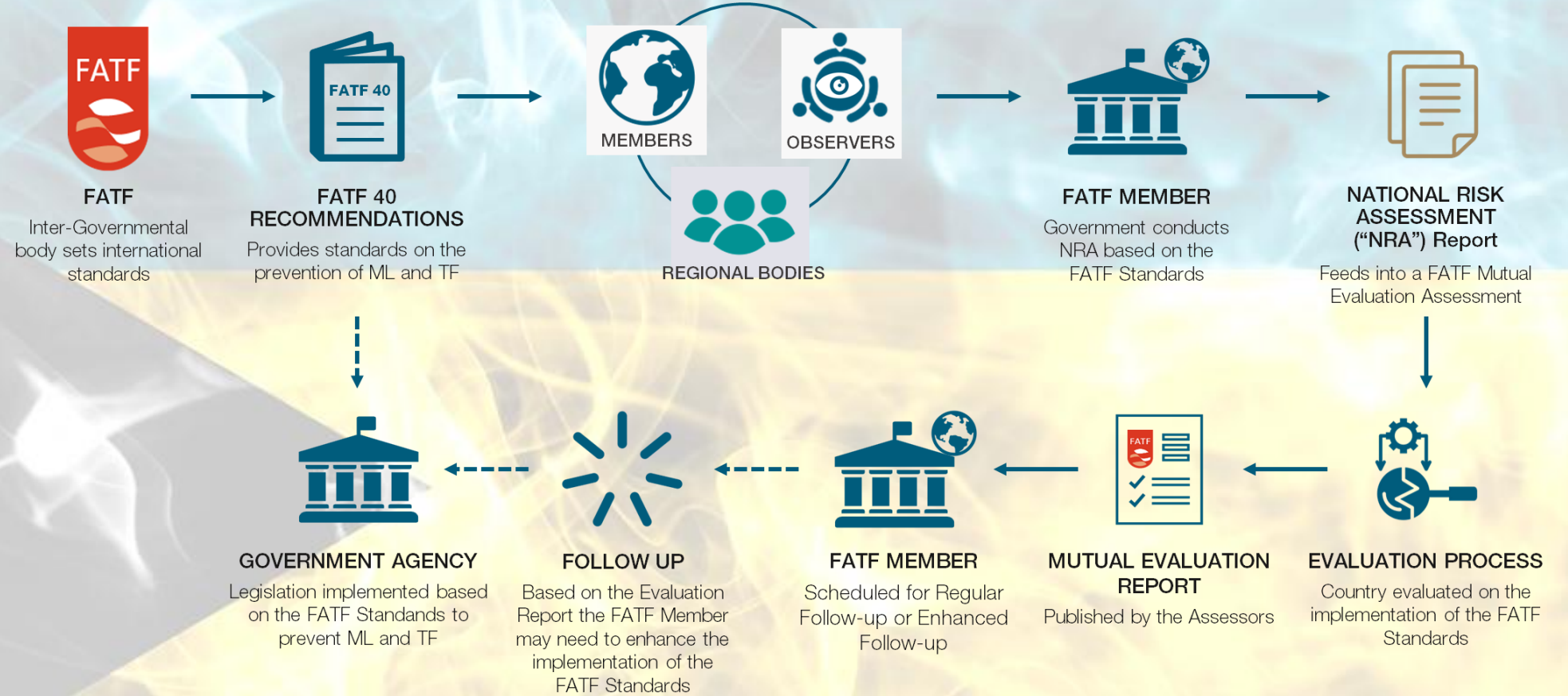
Preventive Measures

- R9** Financial institution secrecy laws
- R10** Customer due diligence
- R11** Record keeping
- R12** Politically exposed persons (PEPs)
- R13** Correspondent banking
- R14** Money or value transfer services
- R15** New technologies
- R16** Wire transfers
- R17** Reliance on third parties
- R18** Internal controls and foreign branches and subsidiaries
- R19** Higher-risk countries
- R20** Reporting of suspicious transactions
- R21** Tipping-off and confidentiality
- R22** DNFBPs: Customer due diligence
- R23** DNFBPs: Other measures



How FATF Sets International Standards

FATF set out the methodology to assess whether a country is compliant to FATF Recommendations or Standards, and if its AML/CFT system is working effectively, assessed through on-site visits, data analysis and the publication of **Mutual Evaluation Reports (MERs)**, or **Follow-Up Reports (FURs)**, where applicable. Done through peer reviews from members of other countries for objectivity, these evaluations are comprehensive country reports that present analysis, findings, as well as points for improvement, regarding a country’s ML/TF systems.



FATF publishes a **Global Assessment Calendar**, which provides a preview of planned assessments by the FATF, its FATF-Style Regional Bodies (FSRBs), the International Monetary Fund (IMF) or the World Bank. The 4th and the most recent round of MERs were measured against the 2013 Assessment Methodology. FATF commenced its 5th round of mutual evaluations in 2024, using revised the Assessment Methodology adopted in 2022. The **Bahamas** is lined up for its 5th round of MER based on the schedule below:

	COUNTRY	ASSESSMENT BODY	ME ROUND	PLANNED ONSITE SCHEDULE	PLANNED PLENARY DISCUSSION SCHEDULE
	The Bahamas	CFATF	5th	TBD	Jun 2027



Why The Bahamas was Listed as a Jurisdiction Under Increased Monitoring

Since 2007, FATF has been reviewing and identifying jurisdictions with strategic AML and CFT deficiencies which presents a grave risk to the financial system globally. Consequently, the program was updated to incorporate the FATF Recommendations and the Mutual Evaluation process. During plenary meetings held thrice a year every February, June and October, two (2) statements are issued identifying jurisdictions under increase monitoring and high-risk jurisdictions.



FATF supports and welcomes progress made by enlisted countries, so a **removal process** also exists. For a country to be removed from FATF monitoring, it must address all or majority of its MER action plans, which are then validated by an on-site visit.

Jurisdictions Under Increased Monitoring

- Externally referred to as the “Grey List”
- Jurisdictions with identified deficiencies on their money laundering, terrorist financing and financing of proliferation prevention systems **but has provided commitment** to resolve them quickly within agreed timelines and submitted to increased monitoring.
- Other countries need not apply enhanced due diligence for risks emanating from these jurisdictions but FATF encourages to still consider risks based on their analysis.



High Risk Jurisdictions Subject to a Call for Action

- Also known as the “Black List.”
- Jurisdictions with significant deficiencies on their money laundering, terrorist financing and financing of proliferation prevention systems.
- Other countries are urged to apply enhanced due diligence and countermeasures for risks originating from these jurisdictions.

Non-Cooperative Countries and Territories (NCCT)

- Referred to as the “Red List.”
- Jurisdictions without appropriate control, regulation and protected by banking secrecy and refuses to participate in international cooperation against financial crime.
- Initiated in year 2000 and delisted the last of the 23 identified countries **in 2006**.

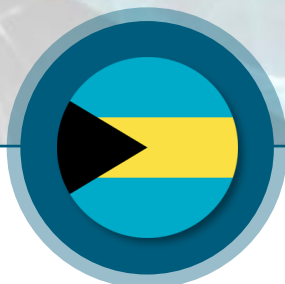


The Bahamas was grey-listed on **October 2018** due to strategic deficiencies in their ML/TF systems. Gaps identified were related to a need for better understanding and assessment of risks, inadequate supervision of non-bank financial institutions and designated non-financial businesses and professions (DNFBPs), insufficient prosecution and penalties for ML cases, inefficiency in international cooperation, and deficient mechanisms for beneficial ownership.

FATF recognized The Bahamas’ significant progress and commitment to their action plans, including improvements in ML, TF and PF frameworks, ML investigations and prosecutions, international cooperation response and monitoring, and risk-based supervision, all supported by legislative reforms. The Bahamas was officially removed or delisted on **December 2020**.



The Bahamas 2017 FATF Mutual Evaluation Report



Key Findings

1. At the time of the MER, The Bahamas was still completing the NRA and have not developed and documented national AML/CFT policies.
2. Despite a well-structured and resourced Financial Intelligence Unit (FIU), there is a gap with the law enforcement authority (LEA), where no ML convictions have been made in the previous four (4) years.
3. With The Bahamas being considered as an international financial centre, it assessed its TF risks as low. There was also limited suspicious transactions reports (STRs) being filed, considering the size of its financial sector and the inherent risks that go along with it.
4. While financial institutions (FIs) and DNFBPs have good supervisory regimes and are well-aware of their AML/CFT obligations, shortfalls were evident in a significant portion of the domestic banking sector.

MUTUAL EVALUATION REPORT (MER) RATING

DATE: July 2017

Effectiveness

Immediate Outcomes

Risk, Policy and Coordination	●
International Cooperation	●
Supervision	●
Preventive Measures	●
Legal Persons and Arrangements	●
Financial intelligence	●
ML Investigation and Prosecution	●
Confiscation	●
TF Investigation and Prosecution	●
TF Preventive Measures and Financial Sanctions	●
PF Financial Sanctions	●



High Substantial Moderate Low

Technical Compliance

FATF Recommendations

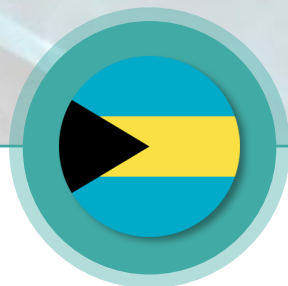
R1	●	R11	●	R21	●	R31	●
R2	●	R12	●	R22	●	R32	●
R3	●	R13	●	R23	●	R33	●
R4	●	R14	●	R24	●	R34	●
R5	●	R15	●	R25	●	R35	●
R6	●	R16	●	R26	●	R36	●
R7	●	R17	●	R27	●	R37	●
R8	●	R18	●	R28	●	R38	●
R9	●	R19	●	R29	●	R39	●
R10	●	R20	●	R30	●	R40	●



Compliant Largely Compliant Partially Compliant Non-Compliant N/A



The Bahamas 2022 FATF Follow-Up Report and Technical Compliance Updates



Progress Updates

1. The 2017 MER identified many opportunities for improvement, which prompted The Bahamas to significantly strengthen its AML/CFT framework, mainly driven by overhauling legislation and enhancing compliance reinforcement. This led to significant improvements in almost all areas of the FATF Standards, including AML/CFT policies and coordination, handling terrorist financing and financing of proliferation, preventive measures, transparency, and compliance oversight. These were validated in the earlier FURs in 2017 and 2018.
2. Further improvements were made in 2021, with continuous reinforcement of key laws, including the Proceeds of Crime Act (POCA), Financial Transactions Reporting Act (FTRA), and Anti-Terrorism Act. Advancements reflected in targeted sanctions, customer due diligence (CDD), transparency of beneficial ownership, regulation and supervision of FIs and DNFBPs, and FIU reporting and statistics.
3. In the latest FUR in 2022, The Bahamas demonstrated improvements in the areas of regulatory oversight of new technologies, foreign branches and NPOs, with the ratings getting re-rated and upgraded.

FOLLOW-UP REPORT

DATE: Dec 2022

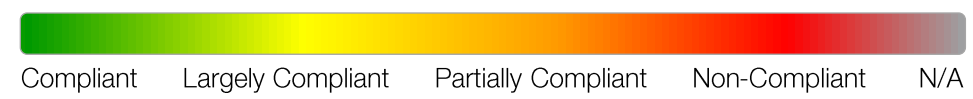
Rating Updates Based on Subsequent Reports:*

- R2 Upgrade
- R6 Upgrade
- R8 Upgrade
- R10 Upgrade
- R12 Upgrade
- R15 Upgrade
- R17 Upgrade
- R18 Upgrade
- R19 Upgrade
- R22 Upgrade
- R24 Upgrade
- R26 Upgrade
- R27 Upgrade
- R33 Upgrade

Technical Compliance Re-Rating

FATF Recommendations									
R1		R11		R21		R31			
R2		R12		R22		R32			
R3		R13		R23		R33			
R4		R14		R24		R34			
R5		R15		R25		R35			
R6		R16		R26		R36			
R7		R17		R27		R37			
R8		R18		R28		R38			
R9		R19		R29		R39			
R10		R20		R30		R40			

* The Bahamas had multiple FURs after being placed under an enhanced follow-up process. The updated ratings on the left only reflect the last two (2) FURs in 2021 and 2022. Upgraded ratings were already made prior.





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Stratis Advisory | 1.415.352.1060 | www.stratisadvisory.com | info@stratisadvisory.com