Bahamas 2019 AML/CFT Seminar

“The Evolving Landscape of AML/CFT in The Bahamas”

26 June 2019

John A. Rolle
Governor
Central Bank of The Bahamas
Outline

• Material domestic money laundering risks
• Recent progress
• Improving the reality and the reputation
• Conclusions
Gross Domestic Deposit Inflows to Banks in 2018 ($Billions)

<table>
<thead>
<tr>
<th>Deposited Funds</th>
<th>BSD</th>
<th>Non-BSD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$37.6</td>
<td>$13.9</td>
<td>$51.6</td>
<td></td>
</tr>
</tbody>
</table>

_of which:_

<table>
<thead>
<tr>
<th>Retail</th>
<th>7.6</th>
<th>0.7</th>
<th>8.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial/Other</td>
<td>30.0</td>
<td>13.3</td>
<td>43.3</td>
</tr>
</tbody>
</table>

_of which:_

<table>
<thead>
<tr>
<th>Cash</th>
<th>5.7</th>
<th>0.5</th>
<th>6.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Cash</td>
<td>31.2</td>
<td>13.4</td>
<td>44.6</td>
</tr>
</tbody>
</table>
Bahamian Domestic Deposit Inflows: 2018 ($Billions)

By Currency

- Deposited Funds
  - BSD
  - Non-BSD
  - Total
  - Total: $51.6

By Type

- Cash
  - BSD
  - Non-BSD
  - Total
  - Total: $6.2

- Non-Cash
  - BSD
  - Non-BSD
  - Total
  - Total: $44.6

By Transaction

- Notes & Coins
  - BSD
  - Non-BSD
  - Total
  - Total: $6.2

- Other
  - BSD
  - Non-BSD
  - Total
  - Total: $44.6
## Canadian Banks: Share of Deposit Flows

<table>
<thead>
<tr>
<th></th>
<th>BSD</th>
<th>Non-BSD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deposited Funds</strong></td>
<td>82%</td>
<td>98%</td>
<td>87%</td>
</tr>
<tr>
<td><strong>of which:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>68%</td>
<td>96%</td>
<td>70%</td>
</tr>
<tr>
<td>Commercial/Other</td>
<td>86%</td>
<td>98%</td>
<td>90%</td>
</tr>
<tr>
<td><strong>of which:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>85%</td>
<td>96%</td>
<td>86%</td>
</tr>
<tr>
<td>Non-Cash</td>
<td>84%</td>
<td>98%</td>
<td>88%</td>
</tr>
</tbody>
</table>
Potential High-Risk Segments

- Insurance Sector
- Land & Real Estate Developers
- Accountancy Firms
- Non-religious NGOs
- Churches & Religious Orgs
- Attorneys & Legal Firms
- Diplomatic Agencies
- Wholesale Jewelers, et al
- Jewelry Stores
- MTBs
- Non-Casino Gaming
- Casinos
- Realty
- Boats/Maritime
- Auto
Material sources of domestic cash transactions

- Gaming
- Money transmission
- Religious organisations
- Insurance
Do we need to worry about currency laundering?

- Median denomination of USD and BSD note: $10
- 40x more USD 1s than USD100s
- Near-zero cash in the international sector
International Money Laundering: Four Permanent Risks

- International banking/trust/funds management
- Cross border real estate
- International business companies
- Money transmission businesses
# Summary MTB Statistics

**October through December 2018 — MTB Cross-border Payments**

<table>
<thead>
<tr>
<th>Number of Transactions</th>
<th>Total Transactions Value</th>
<th>Largest Transaction Value</th>
<th>Average Transaction ($Actual)</th>
<th>Main Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>172,000</td>
<td>$50 million</td>
<td>$44,000</td>
<td>$290</td>
<td>USA, Haiti, Jamaica</td>
</tr>
</tbody>
</table>
International ML/FT exposures in summary

- Reasonable shape but needs more improvement
- Building better data and oversight on real estate, IBCs
- Increasing MTB supervision
Central Bank’s Supervisory AML Requirements by Sector

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Int’l (supervised by:)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Banks</td>
<td>Other</td>
</tr>
<tr>
<td>December 2017</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>March 2018</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Sept 2018</td>
<td>43</td>
<td>8</td>
</tr>
<tr>
<td>March 2019</td>
<td>29</td>
<td>22</td>
</tr>
</tbody>
</table>
AML/CFT Risks: The Bahamian Reality

- We have made tremendous progress—but we needed to make progress
- Limited ML/TF risks in the domestic banking sector
- International sector very large and requires close watching
- Upcoming data progress on real estate and IBCs
- International firms somewhat ahead of local firms
Managing our reputation

Two Fallacies:

- Small countries are the problem
- AML/CFT empirical analysis is too hard

Two obvious points:

- The current global approach is catching less than one percent of the dirty money
- Large countries are the major sources and destinations of dirty money
What’s a small country to do for its reputation?

1) Become really good at financial crime suppression
2) Highly proactive reputation management
3) Play the long game

Central Bank / Regulator initiatives:

- Annual AML/CFT national report
- Direct communication with correspondent bankers
- Annual AML conference (such as today)
- Biannual international AML conference
- Annual SFI letters on financial and AML strength
- Global AML/CFT empirical research conference
End!