SUMMARY ANALYSIS OF AML DATA RETURN SUBMISSIONS 2019 - 2020

BANK SUPERVISION DEPARTMENT

November 2021

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Executive Summary

The Central Bank of The Bahamas ("the Central Bank") issued its inaugural Anti-Money Laundering (AML) Data Return ("the Return") to banks, trust companies, credit unions and money transmission businesses ("MTBs") in December 2019. On an annual basis, the Central Bank intends to collect the Return in an effort to analyze trends and evaluate emerging financial crime risks of supervised financial institutions ("SFIs"). This return is comparable to the annual financial return collected for many years from SFIs, and will support the Central Bank's analysis of ML/TF risk in its regulated sectors.

This report summarizes the findings from the Returns submitted for the 2019 and 2020 periods. As a general observation, the Central Bank has been gratified to observe that SFIs were able to produce complete and detailed returns, which generated both a good grasp of the necessary data, and compliance with the relevant AML legislation and regulations.

On-Time Compliance

The first submission of the Return, for the year ended 31 December 2019, was due from banks and trust companies on 7 February 2020, and on 28 February 2020 for credit unions and MTBs. The second submission for all sectors was due on 28 February 2021.

The response rate to this mandatory survey was 100%. As is typical for substantial new collections, some SFIs had challenges with certain aspects of the Return, which were evident by the number of re-submissions required. Some SFIs also indicated challenges with aggregating data from older legacy systems and general system issues. The Central Bank considers that the quality of data ultimately received is reasonable, and expects this to improve in future iterations of the Return.

A minute number of SFIs do not exhibit notable ML/TF risk. These SFIs are either strictly intragroup consolidation centers that have no third-party clients or have zero or near-zero customers and transactions. These SFIs have been excluded from this report.

Peer Group Definitions

This report covers all relevant SFIs, which are split into the following peer groups:

1) Domestic banks – These comprise the seven commercial banks that provide retail services in The Bahamas, plus one international branch which is included for historical reasons in this group. One SFI, which was designated as a domestic bank during 2021, has been excluded from this peer group.

2) Credit unions – These comprise domestic mutually owned deposit-takers, which focus on retail personal business.

3) Money transmission businesses (MTBs) – These include domestic money transfer and other payments businesses, which focus mainly upon small-ticket cross border payments

to and from The Bahamas, plus domestic payments services such as utility bills. This peer group excludes electronic money service providers.

4) International banks and trusts – These are subject to the same prudential and AML regulations and supervision as are domestic institutions, but for historical reasons focus the great majority of their business on non-Bahamian clients. This segment contains three sub-segments:

    i. Host-supervised institutions, which are owned by parent companies outside of The Bahamas;

    ii. Home-supervised institutions, which may have both Bahamian and non-Bahamian ownership, but the ultimate holding company or shareholders are Bahamian; and

    iii. Restricted licensees, which are not open for public business and commonly concentrate upon the trust and banking needs of a single family or small group of persons.

This report will first consider the domestic sector, then the international sector.

DOMESTIC SECTOR SUMMARY

Domestic Banks

In the past several years, domestic banks have made substantial progress in lifting their AML risk management and governance to world-class standards.

The domestic banks possess the great majority of client accounts in The Bahamas, but the international banks and trusts manage the great majority of both on- and off-balance sheet assets. As at 31 December 2020, domestic banks reported having approximately 495,000 customers and 580,000 accounts, which represents a contraction of nine percent and expansion of two percent, respectively when compared to 2019. The balances associated with these customers at 31 December 2020 were as follows: deposits of $8.9 billion, loans of $6.2 billion and off-balance sheet/fiduciary assets of $447 million.

High Risk Analysis

The relative risk ranking of accounts and customers remained consistent with 2019's results. In both years, over 90 percent of domestic accounts reported were associated with low-risk customers, while the number of accounts held by high-risk customers were approximately one percent of the total accounts.

Domestic Banks		
Risk Rating	**% of Accounts 2019**	**% of Accounts 2020**
Low-Risk	92.0	92.5
Medium-Risk	6.5	5.2
High-Risk	0.7	1.3
PEPs	0.8	1.0
of which: Domestic PEPs	*0.7*	*0.8*
TOTALS	**100.0**	**100.0**

Politically Exposed Persons ("PEPs")

PEPs, which tend to attract a high-risk rating and automatic enhanced due diligence, held approximately one percent of the accounts at the domestic banks in both 2020 and 2019. While the number of PEP accounts and relationships increased since last year, the deposit and loan values decreased. Further, the value of the off-balance sheet/fiduciary assets associated with PEPs increased since 2019.

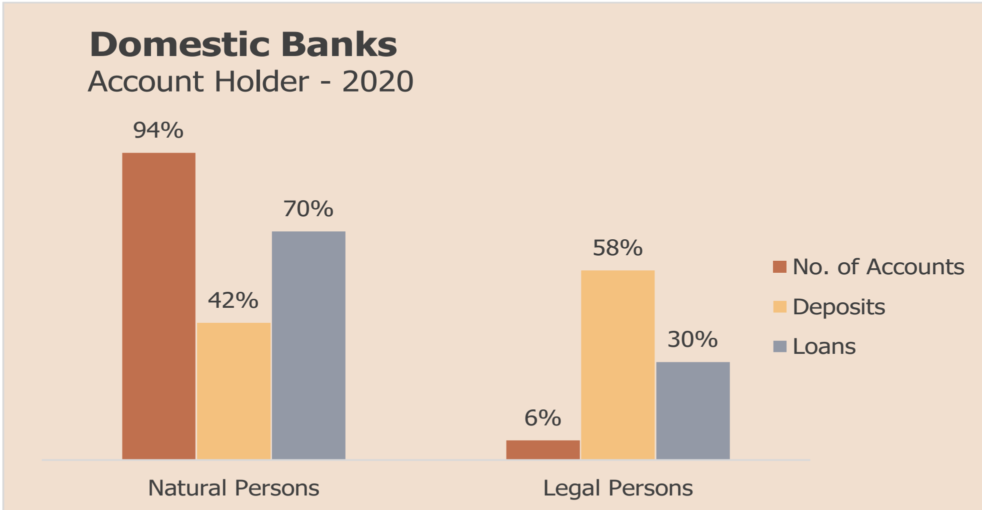
SFIs were required to report PEPs separately and provide a breakdown of the risk rating of the PEPs in the client database. Approximately 75 percent of the accounts were rated high-risk, 23 percent were rated medium-risk and 2 percent were rated low-risk. In terms of relationships, approximately half of these were rated high-risk, while approximately one quarter of these were rated medium-risk and low-risk each.

Domestic Banks

Politically Exposed Persons		**2019**	**2020**	**% of Total Balances 2020**	**% Change 2020**
No. of Accounts		3,852	4,249	1	10
No. of Relationships		220	258	1	17
Deposits	($'000)	375,614	358,340	4	-5
Loans	($'000)	362,470	198,665	4	-45
Fiduciary Assets / Off-Balance Sheet	($'000)	0	404	.09	-

Account Holder Type

Domestic banks were required to break down their client database by natural and legal persons. For the year 2020, over 94 percent of the accounts were held by natural persons. In addition, the majority of loans were granted to natural persons. The majority of deposit accounts were held by legal persons. These proportions were largely the same in 2019, except in the case of deposits, which were about evenly split between the two types.



Account Activity

Dormant and Inactive Accounts

A total of 2,365 accounts reportedly became dormant in 2020, which represented a 43 percent decrease when compared to 2019. On the other hand, there was a 10 percent increase in the number of inactive accounts over the same period. Approximately 11 percent of the total number of accounts were considered to be inactive, while less than half of one percent of accounts were considered to be dormant.

One bank reported a disproportionate share of inactive and dormant accounts. The Central Bank is working with this bank to better understand their position.

Sanctions Screening

All of the domestic banks reported zero positive sanctions hits for both 2019 and 2020. The Central Bank is only aware of one Bahamian citizen and one Bahamian company on two of the recognized international sanctions lists.

Production Orders

The domestic banks reported receiving 996 production orders from the Financial Intelligence Unit (FIU) in 2020, which represents a 13 percent decrease compared to 2019. These were spread roughly evenly among the retail banks.

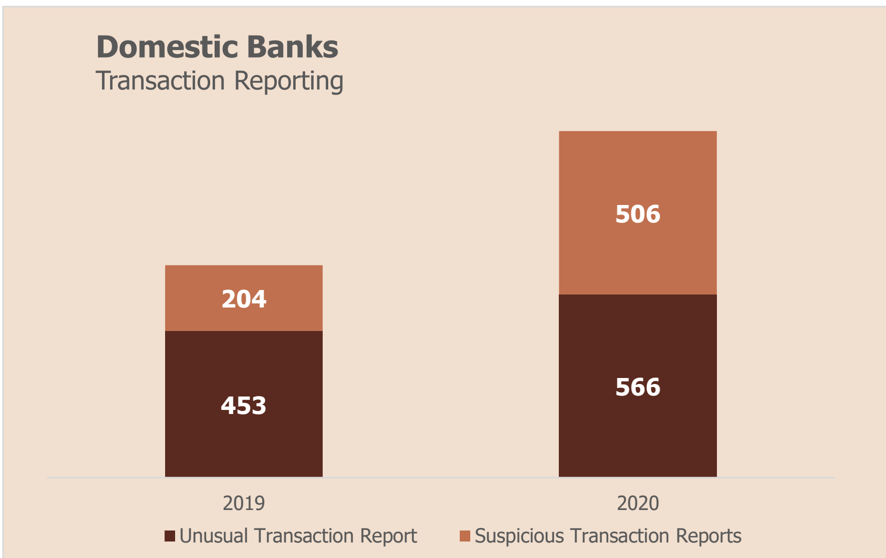
Instances of Fraud

The domestic banks reported a number of instances of fraud. There was a fourfold increase in the number of frauds attempted during 2020, but a 64 percent reduction in actual fraud occurrences, when compared to the previous year.

The Central Bank intends to review industry practice, to ensure that these actual and attempted fraud occurrences, which are typically for small sums, are reported as suspicious transactions.

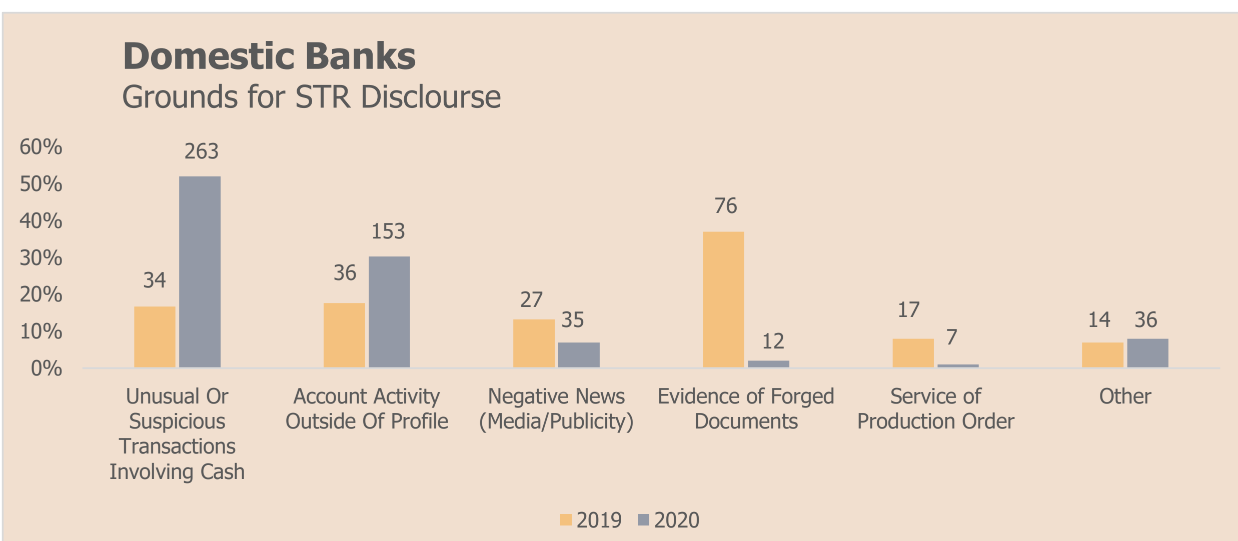
Suspicious and Unusual Transactions ("STRs")

Domestic banks reported filing 506 suspicious transaction reports ("STRs") with the FIU during 2020, which was twice the previous year's filings. One bank, for which there is no reason to believe would have a higher risk customer base, filed roughly 70 percent of these in both reporting periods. This is an instance of inconsistent industry practice, where the Central Bank intends to follow up as a supervisory matter. Compared to the 566 unusual transaction reports received internally by bank MLROs for 2020, this represents a conversion rate of 89 percent for the domestic banking sector.



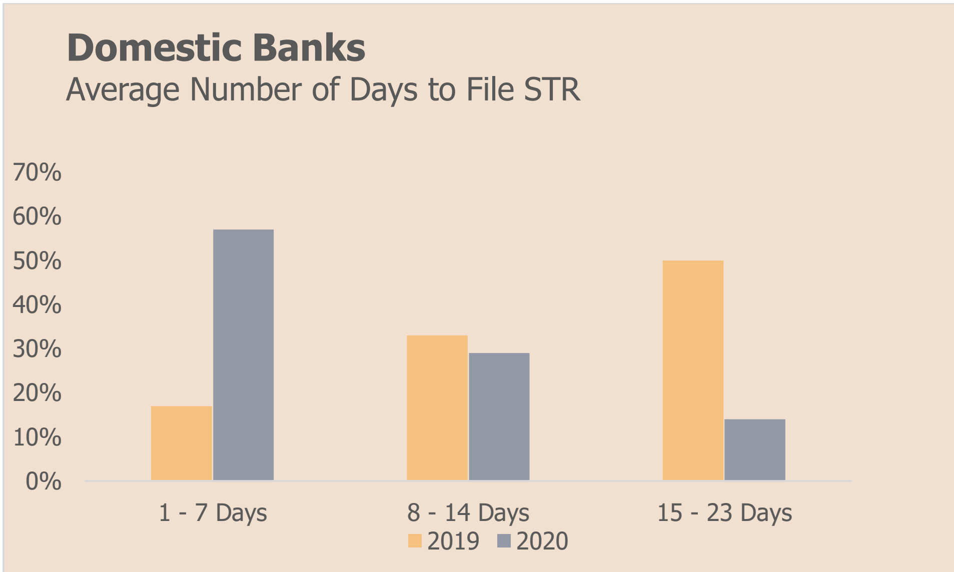
Reasons for Disclosure

The top reasons for filing STRs are shown in the graph below.



Average Number of Days to File STRs

The commercial banks required between 7 and 23 days to file an STR from the initial point at which the unusual or suspicious transaction/activity was detected internally. This is in global terms reasonably good, but the Central Bank will encourage the slower end of the banking system to tighten their response times.



AML/CFT/CPF Training

SFIs are required by legislation to provide at least annual AML/CFT/CPF training to all staff. At any given point in time, the Central Bank expects that nearly all staff would have received the required training. The difference between "all" and "nearly all" is explained by very recent joiners, plus staff on long leave such as maternity leave. As per Section 19(2)(c)(iii) of the Financial Transactions Reporting Act 2018, directors are also required to receive regular training.

The domestic banks are effectively maintaining their required staff training, but are considerably less impressive on director AML training. In 2020, 98 percent of bank staff received the relevant training, compared to 95 percent in 2019. Although 82 percent of directors of the domestic banks received the relevant training in 2020, one bank reported that none of their directors received training during this period. All other domestic banks reported that all of their directors were trained. The Central Bank will work to ensure that staff training intensity is maintained, while director training is improved.

Credit Unions

Given its focus on personally known natural persons within The Bahamas, the credit union sector is not inherently a high-risk. As at 2019, the sector was over-classifying its account holders as high risk. One reason for this outcome was that many credit unions automatically classified moderate balance account holders (such as exceeding $30,000 in deposits) as high risk. Per the table below, this "over-grading" issue was largely corrected by 2020. Staff training over the past year has improved for the credit unions. There is room for improvement, however, in the area of training of Board of Directors. Credit unions are still moving towards higher standards, which also reflects in their responses.

Country Data Client Analysis

As at year-end 2020, the credit union sector reported 49,686 customers, 79,279 accounts, deposits of $418 million, and loans of $226 million. In comparison to 2019, the credit union sector experienced increases in each of these categories. Credit union members must be either a citizen or a resident of The Bahamas. The vast majority of credit union business is Bahamian, with small spillovers to communities in Haiti, Jamaica, and the United States. Approximately 99 percent of the sector's customers, deposits and loans are associated with natural persons.

Risk Ratings of Customers

In 2020, the majority of customers (83 percent) were rated low risk, reflecting a decrease from 2019 when approximately 91 percent of customers were in this category. The proportion of medium risk increased threefold from 2019 while the proportion of high-risk customers decreased. It seems that largely solving the problem of too many high-risk customers has migrated into very many medium risk customers. The Central Bank will continue to work with the sector on these issues.

Credit Unions		
Risk Rating	**% of Customers 2019**	**% of Customers 2020**
Low-Risk	91.0	82.7
Medium-Risk	5.4	16.2
High-Risk	3.1	0.7
PEPs	0.5	0.4
of which: Domestic PEPs	*0.2*	*0.4*
TOTALS	**100.0**	**100.0**

The credit unions reported an 8 percent reduction in the number of PEPs for 2020, which represented less than half a percent of the number of customers. PEPs accounted for approximately 2 percent of total deposits and loans, respectively. All of these PEPs were reported to be domestic

PEPs. Approximately 70 percent of PEPs in the sector were rated high risk, while approximately 29 percent were reported to be medium risk.

Breakdown of Account Activity

Inactive and Dormant Accounts

Credit unions reported 17,299 inactive accounts amounting to $15 million and 5,616 dormant accounts of $1.9 million in 2020. The number of inactive and dormant accounts increased by 73 percent and 78 percent, respectively. Of note is that approximately 22 percent of accounts were categorized as inactive. These large increases are likely due to more attention by the credit union sector to accurate reporting, rather than an increase in actual dormant or inactive accounts.

Although credit unions are not subject to the Central Bank's dormant accounts regime, they are required to declare dormant any account where there has been no activity for five years. The balance remaining at the time is to be remitted to the Bahamas Co-operative League towards the statutory reserve funds of the credit union. After a period of five years, the funds should be forwarded to The Central Bank of The Bahamas.

Suspicious Transaction Reports ("STRs")

In 2020, the credit union sector reported filing a total of three STRs with the FIU amounting to $81,000. In 2019 six STRs amounting to $721,000 were reported. The reasons given for these STRs being filed included negative news, structuring transactions to avoid reporting requirements and unusual or suspicious transaction involving cash. All these STRs were filed by one credit union. The credit unions reported taking an average of 2 days or less to file a STR with the FIU. There were 275 unusual transactions reports ("UTRs") reportedly received internally by MLROs of the credit unions, which represents a conversion rate of one percent. One credit union reported the vast majority of these transactions, but filed no STRs. Comparing the above numbers to the banking sector suggests that credit union STR and UTR practice has considerable room for improvement. The Central Bank will work with credit unions to improve their transaction reporting practices.

Instances of Fraud

In 2019, the credit union sector reported 12 and 14 reported instances of actual and attempted fraud. No credit union reported any fraud activities for 2020. Leaving aside tighter anti-fraud procedures, extensive COVID-19 related business restrictions may have made 2020 an outlier on this measure.

Production Orders

The credit unions reported receiving a total of 95 production orders during 2020, compared to 166 in 2019.

Sanction Hits

None of the credit unions reported having hits against the sanctions lists.

AML/CFT/CPF Training

The credit unions effectively maintain their staff AML/CFT/CPF training, but are considerably less impressive on director training. Over 90 percent of staff received the required training in both 2019 and 2020. On the other hand, only 75 percent of directors received training in 2020. The Central Bank will work to ensure that staff training intensity is maintained, while director training is improved. This is another area where COVID-19 issues may have made 2020 an outlier.

Money Transmission Businesses (MTBs)

The Bahamian MTB industry is characterised by fully identified personal customers sending small amounts of money for generally sensible reasons. As a point of comparison, Bahamian SWIFT transactions associated with wholesale business are about fifty thousand times greater in dollar volume than aggregate MTB transfers. MTB transactions by number, on the other hand, are about 70 percent of SWIFT transactions.

The majority of the transactions sent by MTBs were sent to Haiti, Jamaica and the United States of America. The majority of transactions were received from the United States of America. These flows are consistent with Bahamian inward and outward migration patterns, both formal and informal.

From 2019 to 2020 the MTB customer profile shifted somewhat from low risk customers to mostly medium and some high-risk customers. This change reflected changes in MTB classification policies more than changes in the underlying customer mix. Opposite to the credit union experience, the Central Bank considers that MTBs have historically under-graded some of their customer risks. Furthermore, client risk classification policies vary materially among MTBs. We are working with the sector to better refine risk classifications.

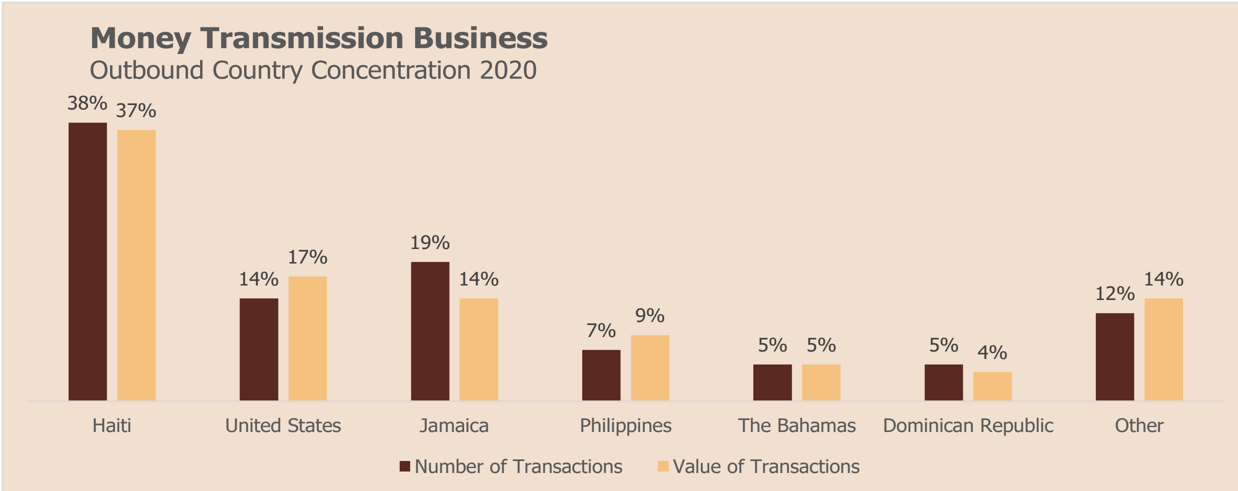
Given the nature of the MTB sector's business, the data collected from this sector differed slightly from the other sectors' returns, and included information on remittances sent and received, as well as the number of these transactions rejected or suspended.

MTBs are still moving towards higher standards, which reflects in their responses.

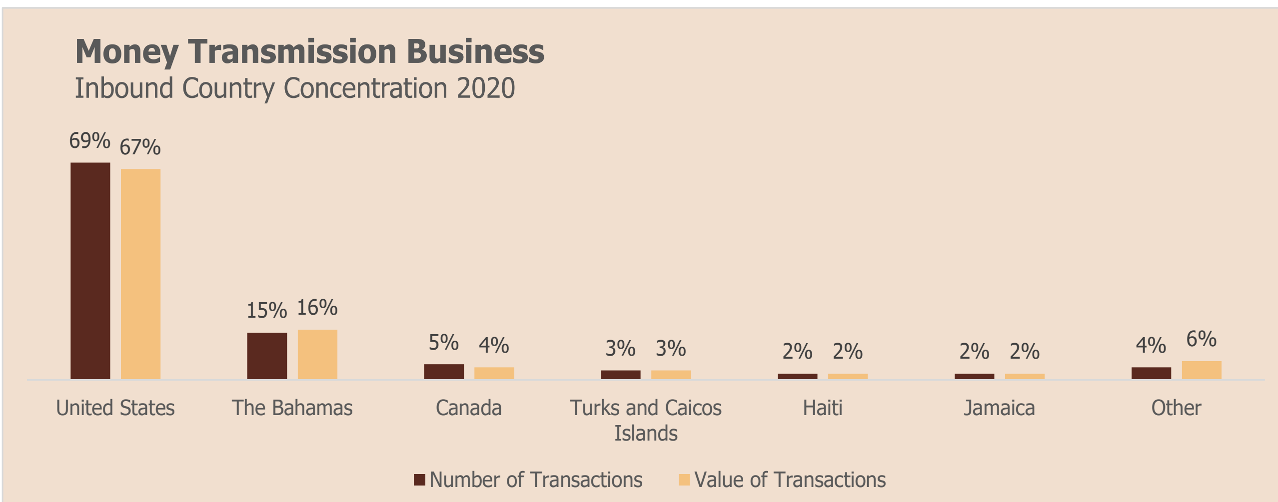
Customer Database and Risk Rating

During 2020, the MTBs collectively reported serving 162,769 customers (2019: 165,807), conducted 484,540 transactions (2019: 696,000), sent funds totaling $125 million (2019: $152 million), and received funds totaling $ 36 million (2019: $39 million). 2020 transaction volumes were probably somewhat depressed due to COVID-19 unemployment, and somewhat increased due to inter-family support payments across borders.

During 2020, the majority of the value of transactions were sent to Haiti, Jamaica and the United States of America, similar to 2019. Inter-island Bahamian transfers accounted for approximately five percent of transactions sent by the MTBs. There was a small increase in the value of transactions sent to the United States of America, and there was a slight decline in the value of transactions sent to Jamaica.



Similar to 2019, approximately 67 percent of the value of incoming transactions were received from the United States of America in 2020. Inter-island transactions, which represented the second largest proportion, were approximately 16 percent of the value of the transactions received by MTBs, compared to 15 percent in 2019.



In relation to the risk rating for 2020, the majority of the MTB customers (approximately 88 percent) were reported as low risk, with approximately 10 percent rated as medium risk and two percent rated as high risk. The number of high risk customers in the MTB sector totaled roughly 4,199, of which two thirds were reported by one MTB. This MTB reported a significant increase in the number of high risk customers from 2019. Last year, the sector reported a total of approximately 1,000 high risk customers.

Money Transmission Business		
Risk Rating	**% of Customers 2019**	**% of Customers 2020**
Low-Risk	96.7	87.8
Medium-Risk	2.7	9.6
High-Risk	0.6	2.6
PEPs	0.0	0.0
of which: Domestic PEPs	*0.0*	*0.0*
TOTALS	**100.0**	**100.0**

Types of Persons

MTBs reported that 99 percent of their customers and transactions were natural persons. One MTB reported having legal entities as customers.

Reportable Remittance Activity

As at year-end 2020, the MTBs reported that 418 inbound transactions were rejected due to AML issues (an 89 percent increase from 2019) and were valued at approximately $ 304,000 (less than one percent of the value of transactions received). This represented an almost threefold increase from the previous year. There were 115 outbound transactions suspended by the MTBs due to AML issues (an eightfold increase from 2019), valued at $$550,000 (less than 0.5 percent of the value of transactions sent). In 2020, the MTBs reported terminating 58 customer relationships due to AML-related issues, valued at $501,000, a reduction of 18 percent from 2019. Two MTBs reported such terminations. There were no sanctions hits reported.

Production Orders and Instances of Fraud

MTBs reported receiving 24 production orders during 2020, compared to 67 in 2019.

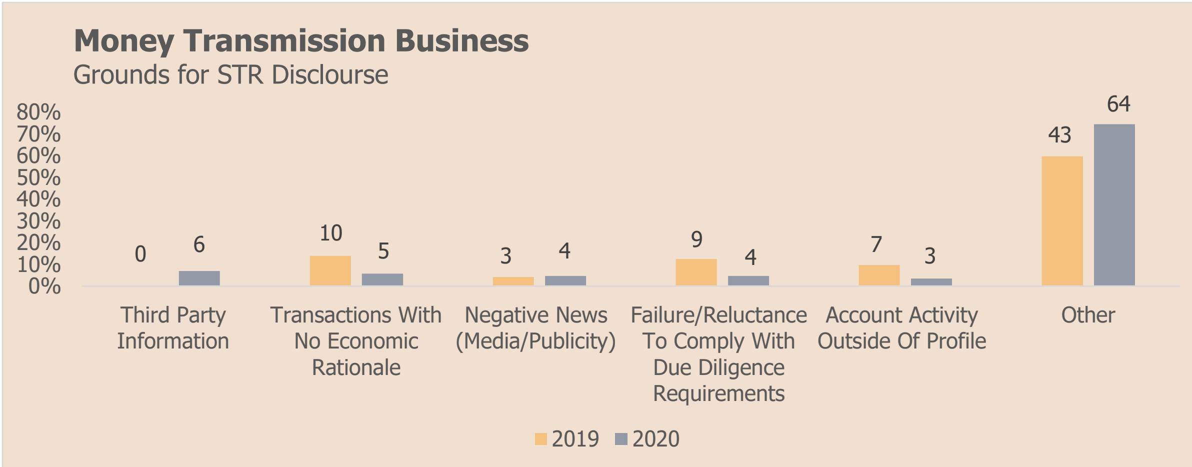
In 2020, one MTB reported four attempted and actual occurrences of fraud.

Suspicious Transactions Reports (“STRs”)

The MTBs reported filing 86 STRs, an increase of 19 percent from 2019. The aggregate value associated with those STRs was $105,000, compared to $437,000 in 2019. One MTB reported 63 percent of the STRs for 2020.

The MTBs reported that 288 unusual transaction reports (“UTRs”) were reported internally to the MLRO, which represents a conversion rate of 30 percent.

The main reasons for filing STRs during 2020 are shown in the graph below.



The MTBs reported taking between 5 – 45 days to file their STRs. Two MTBs reported taking 7 days or less to file these STRs, while 2 MTBs reported taking between 30 – 45 days. The Central Bank will work with the industry on this point.

AML/CFT/CPF Training

During 2020, the MTBs trained 94 percent of their staff and 79 percent of their agents' staff. One MTB reported that only 22 percent of their agents were trained during 2019. One MTB indicated that none of its directors received AML/CFT/CPF training. All of the other MTBs reported that all of their directors received training during 2020.

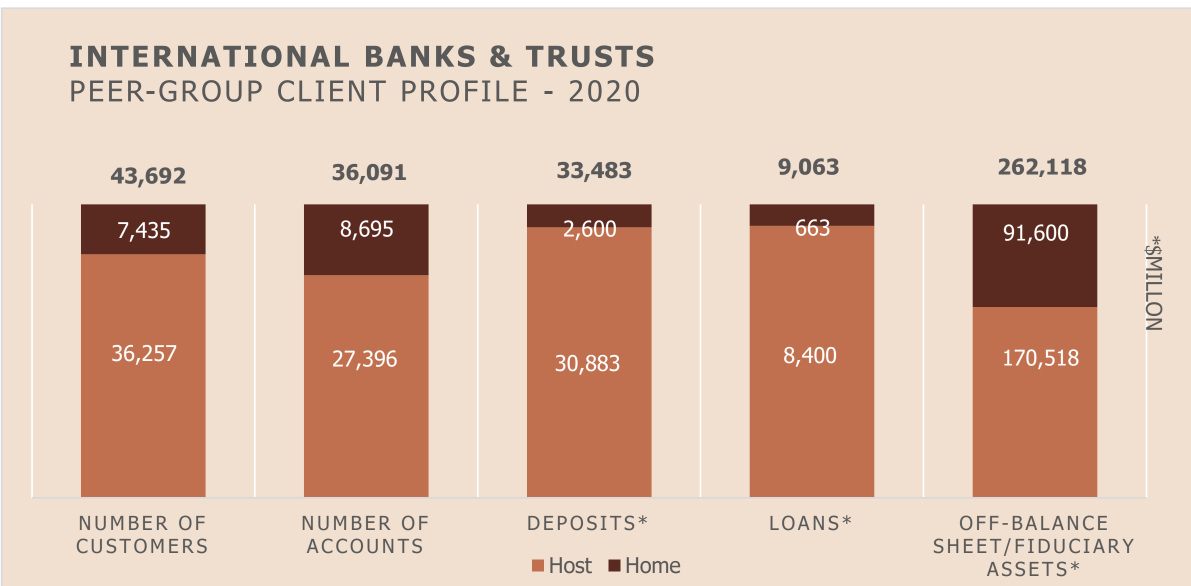
THE BAHAMIAN INTERNATIONAL SECTOR

International Banks and Trust Companies

The Bahamian international banking and trust sector is smaller than the domestic sector when measured by number of customers, but much larger when measured on balance sheet size or aggregate funds flows. The Central Bank considers this sector the most material ML/TF potential threat in The Bahamas, and accordingly requires this sector to most robustly minimize its vulnerabilities. To give an idea of scale difference, international SWIFT volume, not all of which is from or to international banks, is over 200 times greater than total domestic bank deposit inflows.

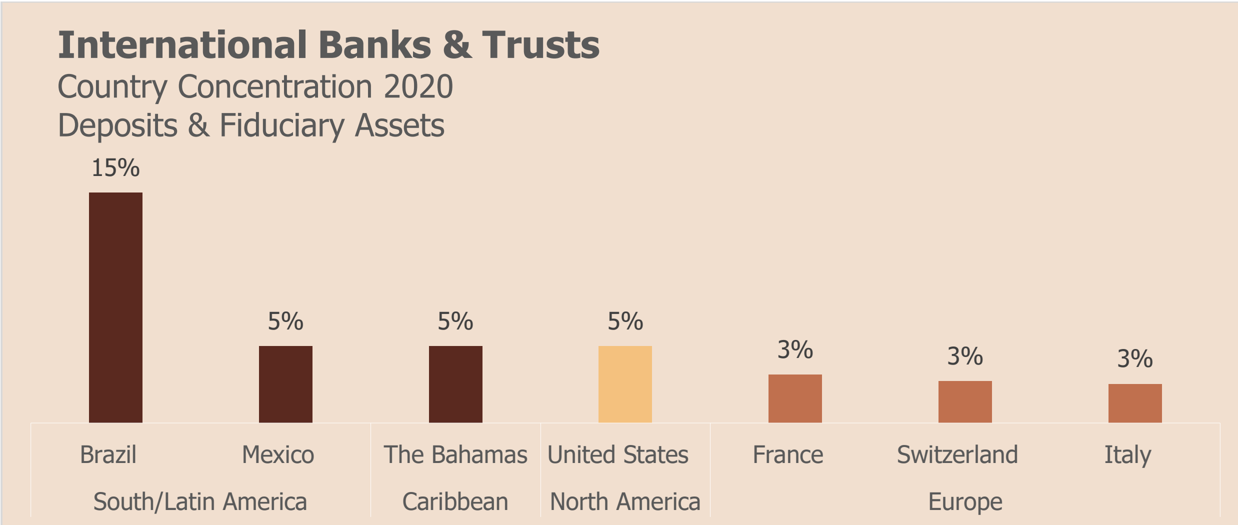
SFIs in the international sector reported 43,692 customers—relatively unchanged from the previous years—and 36,091 accounts as at year-end December 2020. Host-supervised (foreign-owned) SFIs dominate most measures of industry size, though in recent years home-supervised SFIs have been growing their market share.

Deposits and off-balance sheet/fiduciary assets continued to grow but there was a 30 percent decline in loans granted in the sector. Definition clarifications were provided to SFIs for the 2020 submissions, which may have impacted the figures.

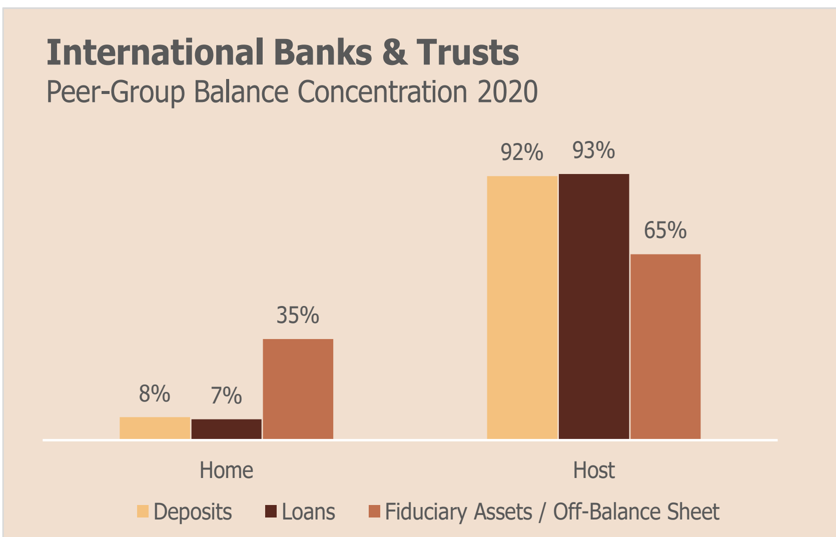


Country Analysis

Historically, considerable Bahamian international business came from Europe. In recent years, the focus has shifted to Latin America. This is consistent with the Bahamian strategy of becoming and remaining the Western Hemisphere's jurisdiction of choice for clean multi-generation and multi-national long term family investments. Brazil factored strongly in the data for both years of the return, with a share of approximately 54 percent of total loans and approximately 14 percent of the off-balance sheet/fiduciary assets during 2020. The graph below shows the country concentration of the customer balances of SFIs in the international sector.



Within the international sector, the host-supervised SFIs hold the large majority of the deposits and off-balance sheet/fiduciary assets and have granted the majority of the loans.



High Risk Analysis

As at year-end 2020, approximately 20 percent and 15 percent of relationships and accounts, respectively, were associated with high-risk customers. This represented a slight increase in the proportion of accounts held by high risk customers in the sector. The majority of the relationships (55 percent) and the accounts (59 percent) reported by the international sector were associated with low-risk customers.

International Banks & Trusts				
Risk Rating	**% of Accounts 2019**	**% of Accounts 2020**	**% of Relationships 2019**	**% of Relationships 2020**
Low-Risk	57.9	59.4	49.9	54.9
Medium-Risk	25.4	21.5	23.6	19.6
High-Risk	12.9	15.1	21.4	20.0
PEPs	3.8	4.0	5.1	5.5
of which: Domestic PEPs	*0.3*	*0.4*	*0.1*	*0.1*
TOTALS	**100.0**	**100.0**	**100.0**	**100.0**

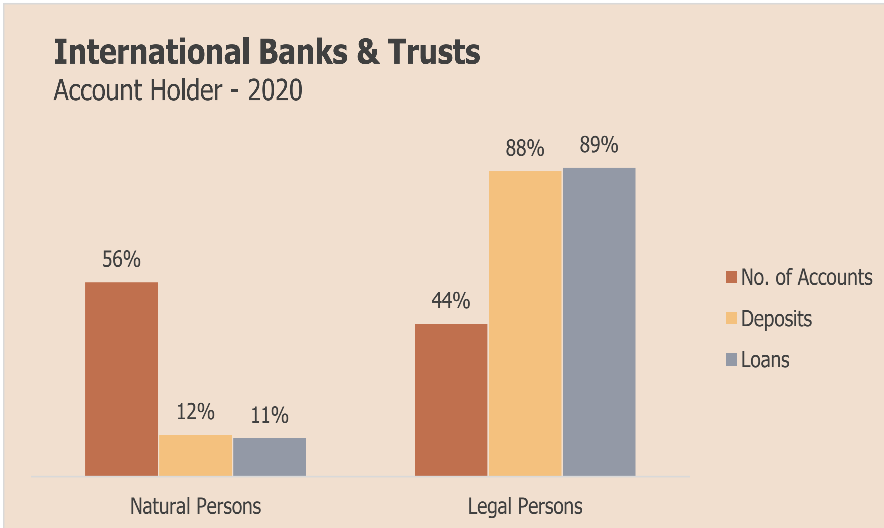
Politically Exposed Persons ("PEPs")

PEPs tend to attract a high-risk rating and automatic Enhanced Due Diligence. SFIs were required to report PEPs separately and provide a breakdown of the risk rating of the PEPs in the client database. In the international sector, five percent and four percent of the relationships and accounts, respectively, were associated with PEPs, which is consistent with the results reported in 2019. Of note is that 12% of the total number of relationships in the restricted SFIs peer group had some PEP association.

International Banks & Trusts					
Politically Exposed Persons		**2019**	**2020**	**% of Total Balances 2020**	**% Change 2020**
No. of Accounts		1,316	1,439	4	9
No. of Relationships		860	1,005	5	17
Deposits	($million)	1,115	1,661	3	49
Loans	($million)	217	382	4	76
Fiduciary Assets / Off-Balance Sheet	($million)	27,261	23,576	9	-14

Account Holder Type

SFIs, exclusive of pure trust companies, were required to break down their client database by the types of persons/account holders (i.e. whether the account holders are natural or legal persons). In the international sector, the majority of deposit values (88 percent), and loan balances (89 percent) were associated with legal persons, while a slight majority of accounts were held by natural persons.



Account Activity

Dormant and Inactive Accounts

A total of 102 accounts with a value of $10 million were reported dormant in 2020, which decreased by 45 percent when compared to 2019. Approximately four percent of the total number of accounts were considered to be inactive.

Sanctions Screening

There is more potential for true positive sanctions hits in the Bahamian international sector than in the domestic sector. However, during 2019 only one SFI reported two positive hits, both positive against the OFAC sanctions list. Both of these instances generated appropriate de-risking and STR actions. The results for 2020 indicated that two SFIs had twelve positive hits, one of which led to de-risking and STR actions. The other eleven were generated by attempting to transact with sanctioned intermediary or beneficial financial institutions. All these transactions were rejected.

False positive alerts generated by screening tools continue to plague systems and the compliance function. Approximately 112,000 false positive alerts were reported by 11 SFIs for 2020, which usually require manual review to be cleared. As advancing technologies are leveraged and models used continually optimized, it is expected that false positive alerts will be minimized.

Although the Bahamian international financial industry should generate very low sanctions hit rates, the Central Bank will continue to work with the industry with regards to sanction compliance expectations and requirements.

Production Orders

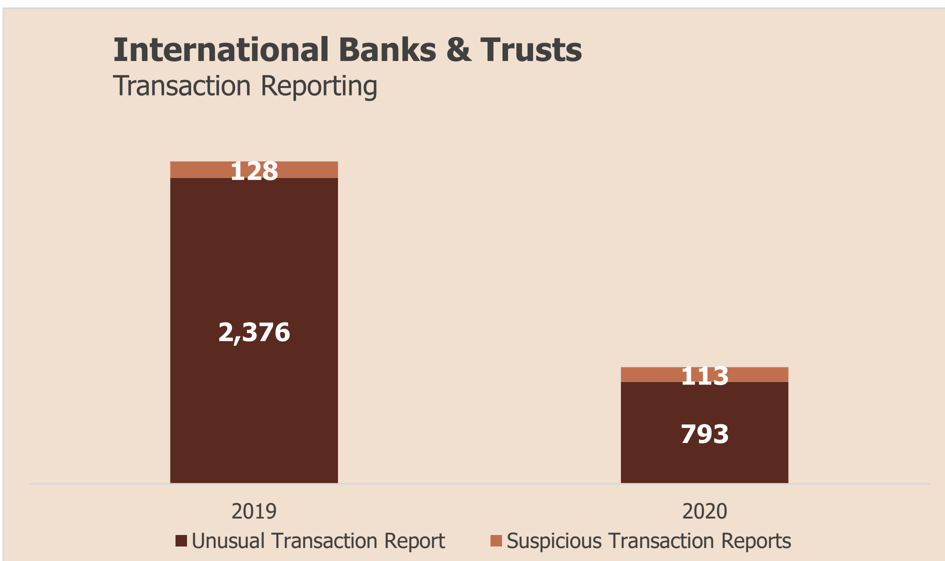
The international sector reported receiving 92 production orders from the FIU, which represents a 15 percent decrease from 2019. Of these, 56 percent were received by host-supervised SFIs and the rest by home-supervised SFIs. Restricted SFIs reported receiving no production orders.

Instances of Fraud

The sector reported twelve instances of attempted fraud a 100 percent increase compared to 2019, coupled with three actual fraud occurrences a 70 percent decrease. Home-supervised SFIs reported the majority (64 percent) of the instances of attempted fraud for 2020, whereas the reported amounts were evenly distributed in 2019.

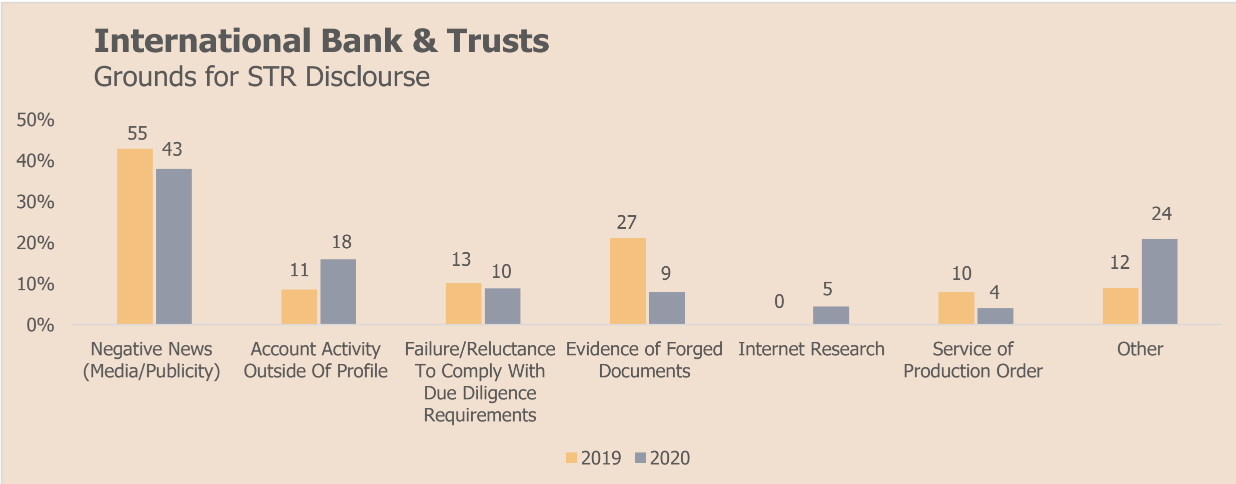
Suspicious Transactions

International SFIs reported filing 113 suspicious transaction reports ("STRs") in 2020, representing a twelve percent decrease from 2019. No restricted SFIs reported filing STRs in 2019 or 2020. When compared to the 793 unusual transaction reports received internally by MLROs, this represents a 14 percent conversion rate.



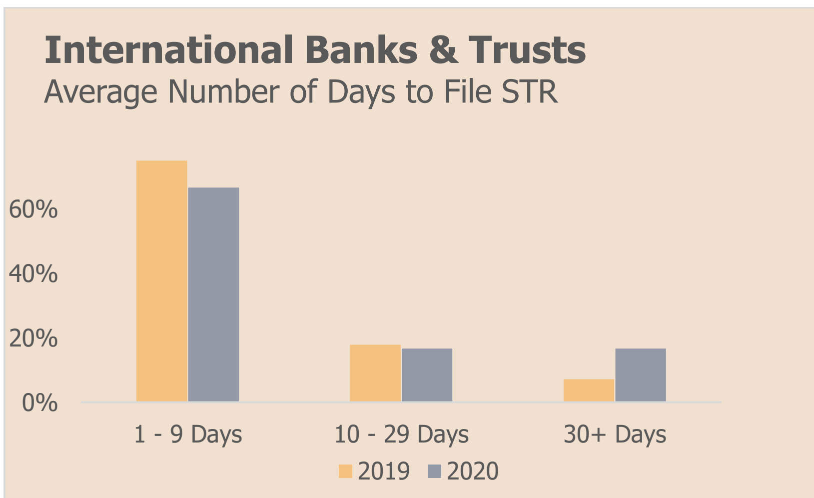
Reasons for Disclosure

The main reasons for filing STRs during 2020 are shown in the graph below.



Average Number of Days to File STRs

For the 2020 reporting period approximately 70% of the SFIs who reported filing STRs took 9 days or less to file these reports with the FIU once identified.

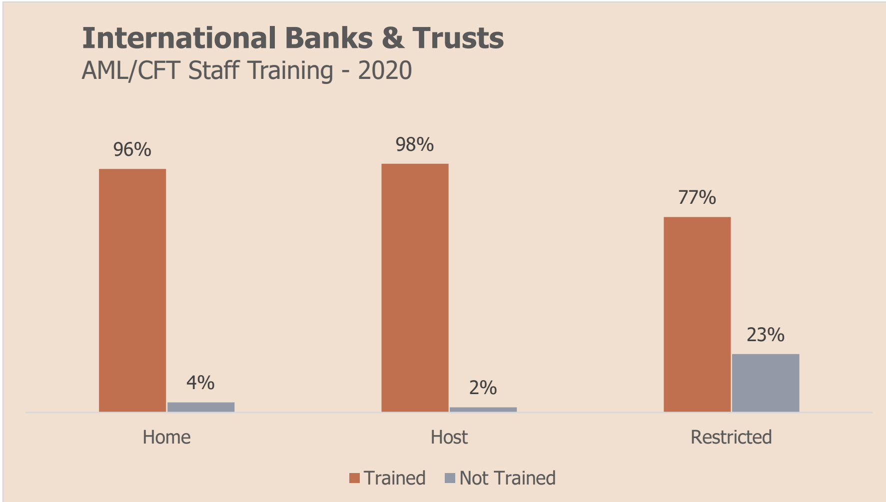


A small number of host-supervised SFIs reported taking one month to a month and a half to file a STR in 2020, which represents an improvement from 2019 when two SFIs reported taking three months or more. The Central Bank intends to elicit timelier filing from these SFIs.

AML/CFT/CPF Training

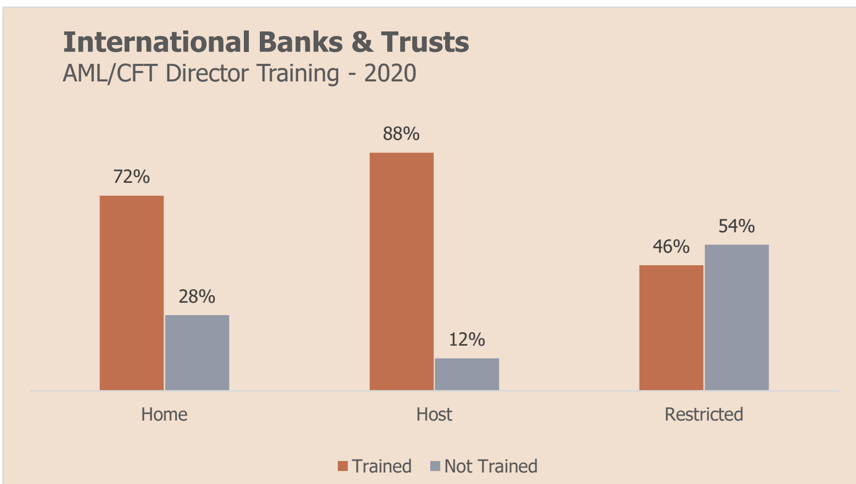
Staff

The same AML training requirements apply to domestic and international SFIs. In common with the domestic sector, the SFIs reported high compliance on staff training, and less successful compliance on director training. Well over 90% of staff within the sector had some type of the required training during 2020. Only one SFI did not conduct the relevant training during 2020.



Directors

Approximately 80 percent of directors in the international sector were trained during 2020.



Cash Deposits and Investments

The Central Bank does not prohibit but strongly discourages international SFIs from accepting currency for deposits or investments. The two exceptions to this rule are that international SFIs may accept currency in non-Bahamian jurisdictions where this is part of their approved business model, and they may on an exceptional basis accept cash deposits locally, provided these are reported to the Central Bank.

The international sector's use of currency is both vanishingly small and appropriate. During 2019 in the international sector, one SFI reported accepting a cash deposit in The Bahamas, reportedly due to a client having to refund money credited to their account in error. Two SFIs reported taking in 35 and 8 cash deposits, respectively, outside of The Bahamas during 2019. No international

SFIs reported taking in cash deposits in The Bahamas during 2020. One SFI reported taking one cash deposit outside of The Bahamas.

International Banks & Trusts Cash	No. of Cash Deposits 2019	No. of Cash Deposits 2020	Value of Cash Deposits 2019	Value of Cash Deposits 2020
			($'000)	
Inside of the Bahamas	1	0	4	0
Outside of the Bahamas	43	1	59	4
TOTALS	**44**	**1**	**63**	**4**

Supervisory Intervention

Commencing in 2017, the Central Bank elevated its priority for financial crime supervision to equality with prudential soundness supervision. One key metric reflecting this shift in focus is the number of supervisory requirements raised by the Central Bank, and cleared by the industry. Requirements are sufficiently serious matters that the Central Bank is prepared to deploy its statutory powers in need to elicit remediation. The experience has been that SFIs, when receiving requirements, nearly always respond in a cooperative and eventually effective manner.

Table A below outlines the half yearly progress of financial crime related requirements since 2017. From this table, we can see an initial burst of activity, as the Central Bank's examiners and supervisors lifted their focus on AML and other financial crime risk management and governance issues. The industry response lagged this burst by about a year, but we have since seen a gratifying lift in the industry's ability to effectively clear requirements. As a result, the industry's position for AML and related risk management is appreciably stronger than it was in 2017.

Table A: Progress on AML Requirements Issued to SFIs

AML REQUIREMENTS	Requirements at the Beginning of the Period	Added Requirements (+)	Closed Requirements (-)	Requirements at the End of the Period
31/12/17 to 31/03/18	*76*	*33*	*17*	*92*
31/03/18 to 30/09/18	*92*	*74*	*57*	*109*
30/09/18 to 31/03/19	*109*	*74*	*47*	*136*
31/03/19 to 30/09/19	*136*	*30*	*88*	*78*
30/09/19 to 31/03/20	*78*	*57*	*72*	*63*
31/03/20 to 30/09/20	*63*	*27*	*38*	*52*
30/09/20 to 31/03/21	*52*	*40*	*29*	*63*
31/03/21 to 30/09/21	***63***	***32***	***30***	***65***

Conclusion

The Central Bank, in common with many regulators internationally, has traditionally collected the quasi-statistical data shown in this report on an irregular basis, mainly through examinations. The Bank is now moving to place this information on the same basis as financial reporting, at regular intervals, with a standardised template. This will allow the Central Bank to better detect trends and outliers across the industry and within individual SFIs.

The results from the 2019 and 2020 returns revealed the need for more guidance on several items which were previously not collected on a standardized basis. Several of these were noted in this report's commentary. In fact, the Bank improved the guidance material and resultant consistency of information in the 2020 collection.

The results demonstrated variance across reporting entities and industry segments on matters such as STR filings, fraud reporting, and customer risk ratings. The Central Bank will work with the industry to clarify any reporting issues relevant to these inconsistencies—at which point it is highly likely there will still be differences in some items, due to varying practice across the industry. To the extent that variance in practice is unsound, the Central Bank will address downside outliers by deploying its usual supervisory powers.

It is clear that the industry is in broad terms meeting its employee training requirements, but director training needs more consistency. The Central Bank will work with the industry on this issue.

The ability to produce this report is one benefit of the increased focus on AML and financial crime issues in recent years. It is expected that this report will increase in value over time, as any reporting inconsistencies are ironed out, and additional insight is generated from time series as well as panel analysis.

The Central Bank thanks all reporting SFIs for their efforts feeding into this report, and look forward to their continued cooperation in future editions.