



**SUMMARY ANALYSIS OF ACCOUNT OPENING FOR
BUSINESSES AT COMMERCIAL BANKS SURVEY 2022**

Preliminary Report

June 2023

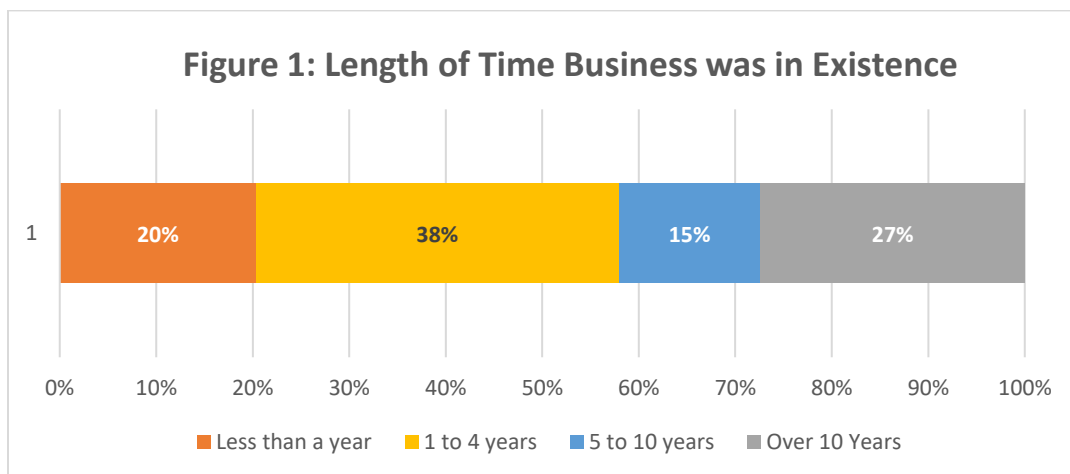
1 Introduction

This report summarizes the results from the Central Bank of The Bahamas’ survey on account opening for businesses, which was undertaken during October 2022. The survey focused on some of the issues business owners face when opening an account at the various commercial banks in The Bahamas. The survey took into consideration the type and complexity of accounts being opened and the length of time it took for these to be opened. Other factors addressed within the survey included respondents’ experience while opening the accounts, and information regarding clients’ prior expectations of the process. The appendix provides some of the common themes garnered from the free form questions, which also asked respondents to provide suggestions on how to improve the process. These underscore room for improved customer service relations; in some cases both better understanding of and application of the regulatory requirements impacting customer due diligence, and improved timeliness of outcomes. Given the results, which represent significant impacts on micro and small businesses, the Central Bank proposes to target a more effective application of a risk-based, simplified customer due diligence process, which has already been published via regulatory guidance. As necessary, the guidance will be further expanded, and regulatory expectations will be established to ensure that financial institutions actively develop and maintain internal systems to improve the onboarding process for businesses.

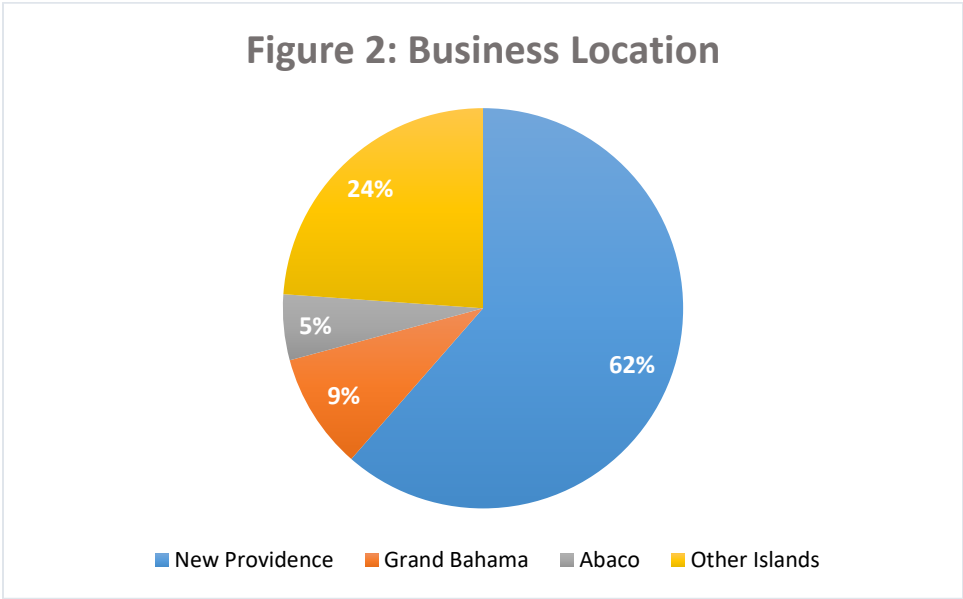
2 Survey and Description of Sample

The Central Bank collaborated with the Bahamas Chamber of Commerce and Employers’ Confederation (BCCEC) to execute the account opening survey in October 2022, utilizing various electronic and social media platforms. Responses were obtained from 402 businesses and individuals with a concentration of small, more recently established firms making up the majority of the participants. In tabulating the percentage distribution of the responses to the various questions posed, most of the analysis excludes instances where an answer was not provided. Unless “not applicable”, non-responses are therefore assumed to follow the same distribution as if actual answers were provided.

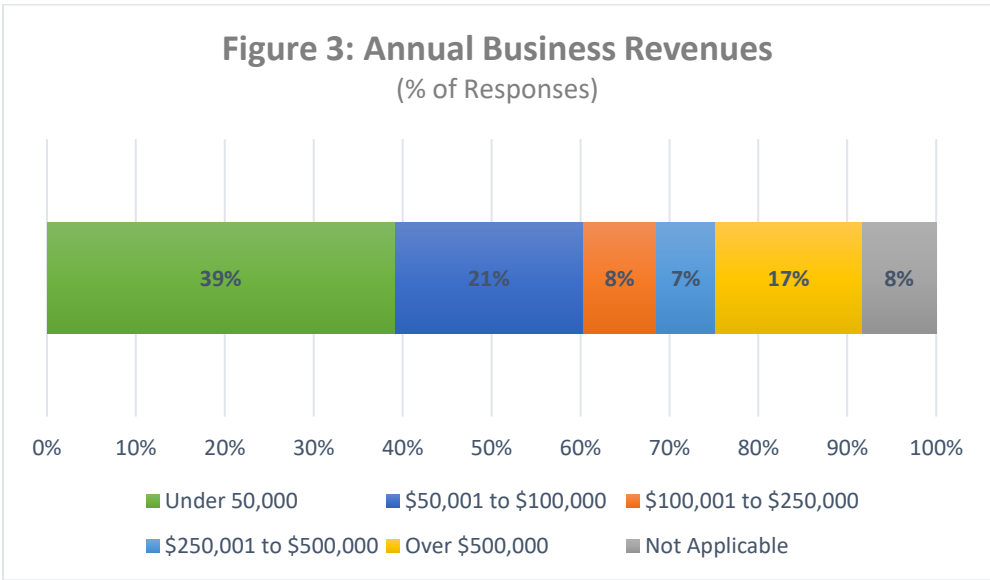
Relative to demographics, respondents represented business owners from 19 different industries (see Appendix 1). Most ventures were recently established. In particular, 20% of the respondents represented firms that have been in existence for less than a year, while 38% had operated for about 1 to 4 years. Further, 15% of respondent businesses were in existence for about 5 to 10 years; while 27% disclosed being in operation for over 10 years.



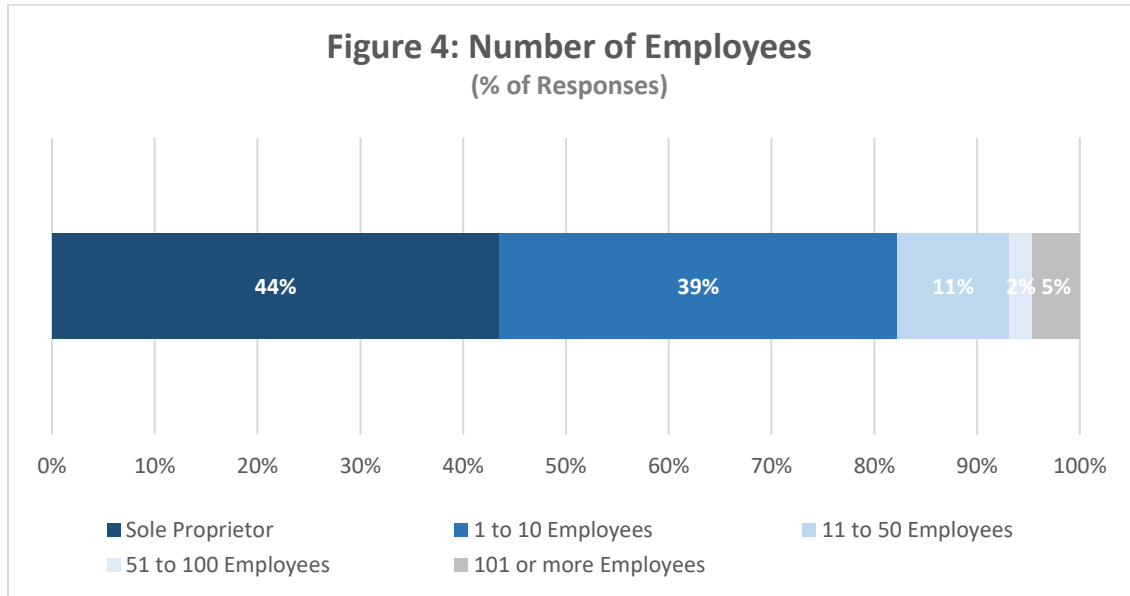
By island, the majority of businesses were located in New Providence (65%), followed separately by Grand Bahama (10%) and Abaco (6%). All other Family Islands represented a combined total of 25% of the respondents.



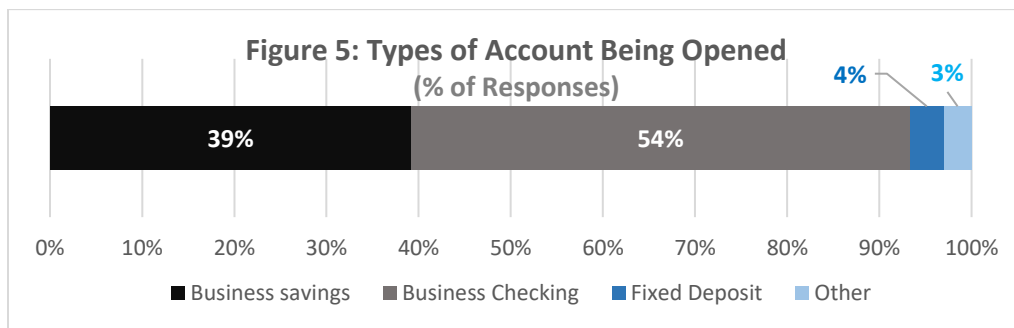
Both revenues and employee counts underscored a predominance of micro and small businesses. In terms of gross income, 39% of respondents disclosed annual revenues of \$50,000 or less; followed by firms earning \$50,000 to \$100,000 (21%); whereas 17% indicated that the business earned over \$0.5 million in gross revenues. Only a small proportion of respondents indicated that revenues fell in the range of \$250,000 to \$0.5 million (7%) or \$100,000 to \$250,000 (8%).



Scaled by number of employees, approximately 44% of participants indicated that they were the sole proprietor and operator of their business, while 39% revealed that they employed between 1 and 10 individuals. Firms having 11 to 50 employees provided the next significant fraction of responses (11%) while the remainder (7%) disclosed having more than 50 employees.

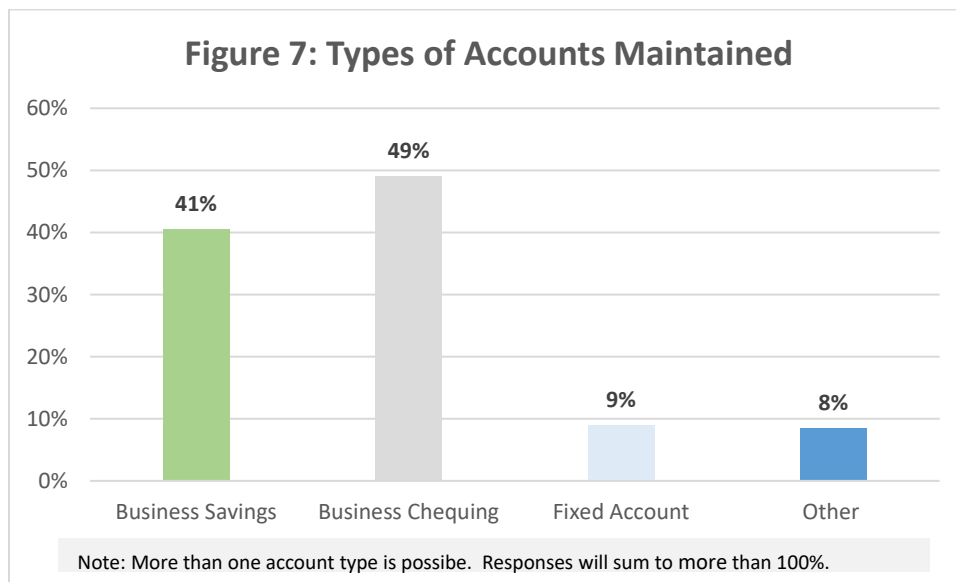
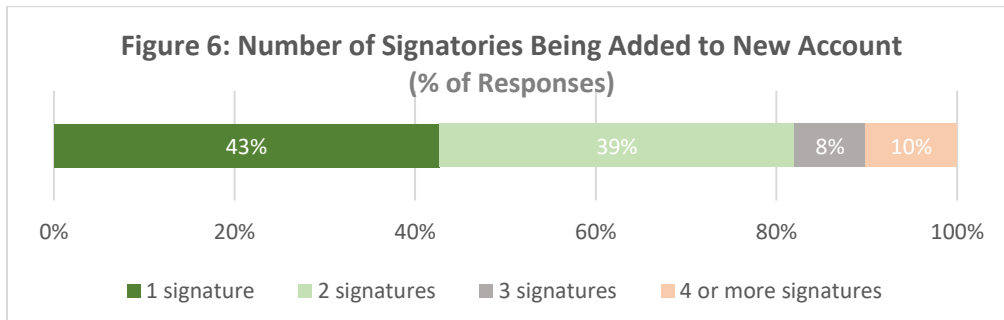


Based on the survey, it appears the largest fraction of the respondents attempted to open a business account within less than 1 year of the date that the survey was administered (49%), followed by the next concentration of experiences (31%) dating to within 1 – 3 years of the survey. In contrast, only one fifth of the responses recalled experiences that dated to beyond 3 years of the survey period. In the meantime, the majority of the applications either sought to establish business savings (39%) or business checking accounts (54%). The remaining efforts targeted fixed accounts and other facilities.

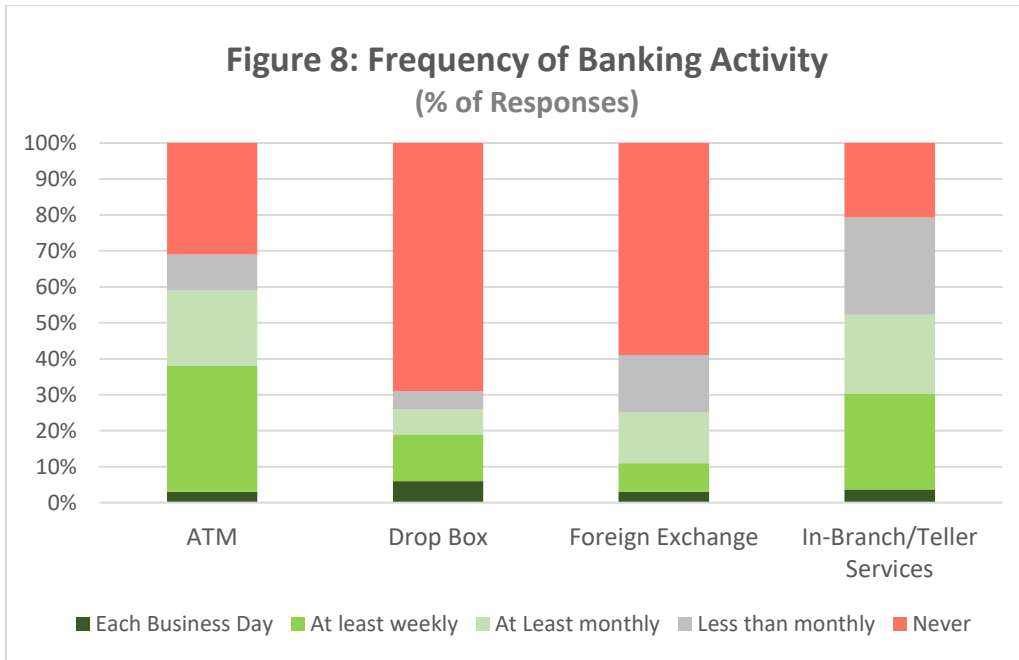


3 Business Banking Activity

The survey also queried the profile, and the duration of existing banking relationships maintained by respondents. As to the types of accounts maintained, about 46% of respondents kept business checking accounts, with the next most common facility being business savings accounts (38%). Some responses also revealed the use of fixed accounts (9%) and other facilities (8%), such as credit cards. As to controls placed on accounts, the largest concentration of respondents indicated they operated with just one signatory (43%), although dual signatories were the next most common arrangement (29%). However, some respondents (8%) revealed that they operated accounts with three signatories and some (10%) more than three. This signatory profile also largely corresponded to the distribution for new facilities being opened.

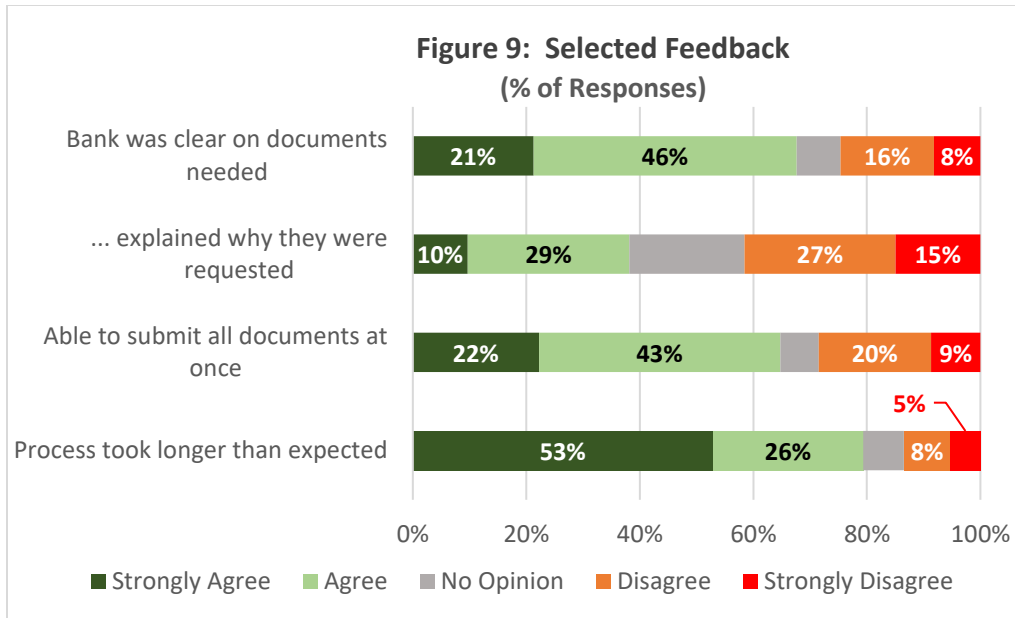


With regard to selected categories of banking services listed in the survey, the in-branch or teller facilities were the most regularly used. However, for just over one-fourth of the respondents, the visit occurred less than monthly. On the other hand, at a frequency of monthly or higher—a greater percentage of responses ranked the ATM usage higher (59%) than in-branch services (53%). On average, less regular use was made of drop box and foreign exchange facilities, with a majority of respondents making no use of either facilities.



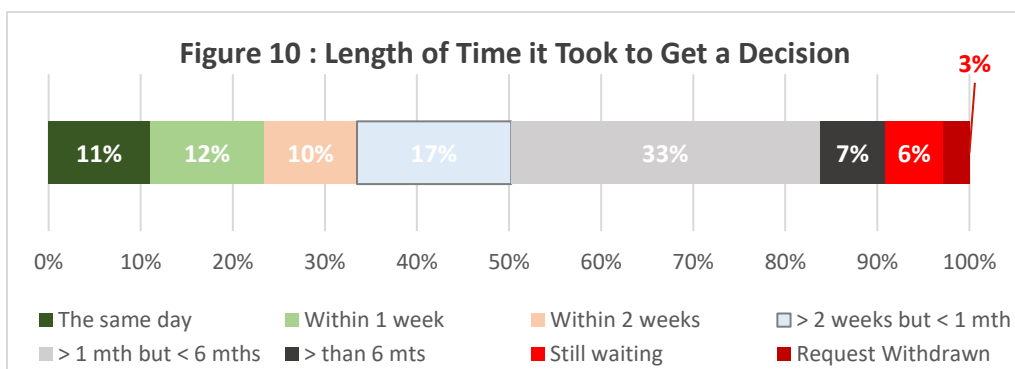
4 Characterising the Account Opening Experience

The main feedback sought was on how respondents assessed the experience around the account opening process. In this regard, there was a higher level of dissatisfaction than satisfaction with the process, seemingly related to the average time it took to complete the process; and influenced by respondents' views of the importance of the due diligence documentation requested from the banks. Appendix 3 provides a summary of the required KYC due diligence documentation based on the nature and purpose of the account. Moreover, results were mixed in regards to the awareness of, versus the justification behind documentation requested by banks. Approximately two-thirds of survey participants were in some level of agreement that the banks were clear on what documentation were needed to complete the account opening process. However, only about 30% of firms felt that the banks explained why documentation was required. Further, an almost equal proportion agreed on some level that they were able to provide all of the required documents at once versus almost 30% that were not able to submit all of the documents at once.



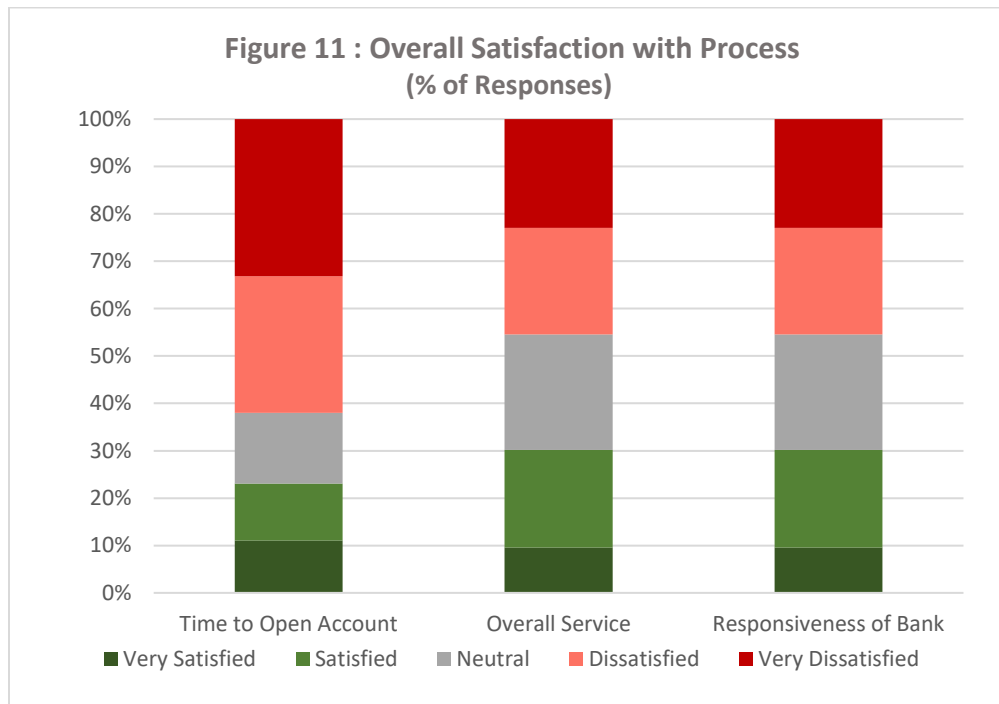
As to the outcome, about 86% of the respondents disclosed that they were successful with their transactions. Based on the analysis of how long the process took, indications are that approximately 6% of applications were still actively awaiting decisions after more than 6 months of efforts, while about 3% of application efforts were terminated after the applicants withdrew their requests.

Indications are that averaging over all of the time intervals used for responses, taking the midpoint of each time band as the average for the range, the average wait time to get an account opened was over 2 months.¹ In particular, only one-third of accounts were opened within two weeks or less. Within this subset, only about 11% of account openings were concluded in the same day, while almost the same fraction opened within one week. On the other hand, about 40% of accounts, in absolute time, took more than one month to be opened.



¹ The mid-point for the range above 6 months was set conservatively at 7 months.


The survey also indicated that roughly four-fifths of respondents either agreed or strongly agreed that it took longer than expected to successfully open an account. A greater fraction of respondents expressed dissatisfaction, compared to some level of satisfaction in the identified aspects of the account opening process; whereas between 15% to 25% of survey participants had a neutral perception of the process. In particular, just over one-fourth of individuals felt some degree of satisfaction with the length of time it took to open accounts, as compared to almost two-thirds who were dissatisfied to some degree. In addition, almost one-third of respondents were satisfied with the level of responsiveness shown by the banks, as compared to about 45% who were not satisfied. In regards to the overall customer service experience, 31% were satisfied or somewhat satisfied with the overall service experience, compared to 45% who expressed some degree of dissatisfaction.



5 Conclusion

The Business Account Opening Survey highlighted some key areas that can be improved in the service levels offered by banks and the ease of opening business accounts. As to the impact of anti-money laundering (AML) risk management policies and procedures, while all financial institutions are required to have effective and robust systems in place, in line with Financial Action Task Force (FATF) recommendations, tailored risk-based approaches should help ease the burden imposed on some relationships. In particular, while enhanced due diligence and increased documentation requirements ought to be imposed where the risk associated with the potential relationship is higher, simplification is merited when the risk associated is assessed at lower levels². The Central Bank’s AML Guidelines are in

² FATF – Guidance for Risk Based Approach – Banking Sector - Oct. 2014



keeping with this approach.³ The Central Bank will therefore target improved outcomes in this space, including streamlined customer due-diligence for micro-and small businesses that are more closely aligned with the applicable guidance for establishing relationships with individuals.

Outside of the improved application of risk-based customer due diligence, the Central Bank will also pursue and promote the implementation of more effective systems for front-line staff within financial institutions. This is to ensure that AML/CFT⁴ standards are, in practice, consistently deployed by front-line staff as intended in regulatory guidance and the internal policies and procedures of financial institutions. The Central Bank also proposes to require that financial institutions develop systems to monitor and actively target through training and other interventions, outcomes to favourably impact the account opening process.

³ Central Bank of the Bahamas, “Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering, Countering the Financing of Terrorism & Proliferation Financing” – Aug. 2018

⁴ Combating Financing of Terrorism

Appendix 1. Samples of Industries Represented among Survey Participants

| | |
|-------------------------------------|-------------------------------------|
| Artisan boutique & tourism | Import / Export |
| Auto Imports | Internet-based Retail |
| Beauty Supplies | Investment |
| Business Consulting | Janitorial and Cleaning Supplies |
| Car Rentals & Sales | Land Surveying |
| Car Wash | Landscaping and General Maintenance |
| Cleaning Services | Legal Profession and Legal Services |
| Clothing Stores | Liquor Store |
| Construct Stage Designs & Lighting | Logistics |
| Cosmetics Supplies | Marketing & Design |
| Craft/Art Work | Non-profit Organizations |
| Cultural Entertainment | Online Marketplace |
| Customs Brokerage | Outsourced Compliance |
| Electronics Repair and Installation | Party Rentals |
| Events | Photographic and Cinematography |
| Fitness | Printing, Graphics and Photography |
| Floral Services | Religious |
| Funeral Home | Rental Vehicles |
| Garbage Collection | Restaurants, Food and Beverage |
| General Maintenance & Cleaning | Retail |
| Gifts and Souvenirs | Retail and Water sports |
| Graphic Design | Wholesale and Retail Grocery |
| Health & Safety | |

Appendix 2. Examples of Suggestions for Banks to Improve the Process for Opening Business Accounts

- Lessen the processing and wait time
- Consistency of KYC guidelines and requirements across banks
- Central database of Government required documents
- Training for customers on the process
- Training for bank staff
- Making the process electronic, including enabling digital processes to eliminate the need to come in branch to sign
- Make process of updating expired passport documentation less cumbersome
- Require less documentation and paperwork
- Allowing accounts to be opened locally
- More efficient process flow with simultaneous moving parts
- Making process easier and less complicated, convoluted, and less redundant
- Removing requirement for business plan and other intrusive information like vendor's listing
- Giving comprehensive list of requirements prior to the start of the process
- Making SandDollar accessible in banks
- Introducing turnover system to ensure smooth service when bank officer that started application is out of office
- Being straightforward and honest with account status
- Communicating denials in a timely fashion
- Removing appointment requirement if wait times will still be long
- Banks should dedicate a team to the process

Appendix 3. Commercial Bank Account Opening KYC Due Diligence Procedures

The table below provides the KYC requirements and the applicable legislative sections from the Financial Transaction Reporting Regulations 2018 (“FTRR”) and the AML/CFT Regulatory Guidelines Amended (April 2023) (“CBB”).

| | |
|---|--|
| NATURAL PERSONS | Full Legal Name (FTRR S.4.1) |
| | Permanent Residential Address (FTRR 4.1) |
| | Date of Birth (FTRR 4.1) |
| | Place of Birth (FTRR 4.1) |
| | Nationality (CBB S.50.i) |
| | Specimen Signature (FTRR S.4.2c) |
| | 2 Means of Verifiable Contact (FTRR 4.2d) (Telephone, Email, Mailing) (CBB 63) |
| | 2 Forms of Proof of Residential Address (for non-Bahamians) (CBB 52) |
| | Occupation & Name of Employer or if Self Employed Nature of Employment (FTRR 4.2e) |
| | Primary Identification: Bahamian E-Passport (CBB S.58) |
| Secondary Identification - applied ID chart per CBB streamline approach | |
| CORPORATES | Certificate of Incorporation / Registration or Equivalent (FTRR S.5.1a/CBB S.78) |
| | Memorandum & Articles of Association or Equivalent (FTRR S.5.1.b/CBB 78.i) |
| | BOD Resolution Authorization Account Opening (FTRR S5.1.c/CBB S77.ii) |
| | Certificate of Good Standing (older than 1 year)/ Confirmation Company Not Struck Off Register (FTRR S.5.e/CBB S.77v) |
| | Incumbency/ Register of Officers, Directors (Name and Address) (FTRR S.5.2.a/CBB S.78vi) |
| | Register Shareholders with 10% or more (Name and Address) (FTRR S.5.2.a/CBB S.78ix) |
| | Register Agent and Office (FTRR S.5.g/CBB S.78c-d) |
| | Nature of the Business (Commencement Date, Location, Product and Services) (FTRR S.5.h/CBB S.78c-d) |
| OTHER LEGAL ENTITY | Bahamas Investment Authority Approval Letter |
| | CBB Exchange Control Letter |
| | Securities Commission Certificate of Registration (if applicable) |
| | *For SFI - High Risk and Fiduciary Questionnaire |
| | Business Plan (optional) |
| | Owners Declaration (for unincorporated entity) |
| | Purpose of Account (FTRR S.4.1/CBB S.78iii) |
| | Parameters/Anticipated Level of Activity (FTRR S6.2.b.2-3/CBB 78iv.a-c) |

| | |
|------------------------------------|--|
| NATURE AND SCOPE OF ACCOUNT | Source of Funding (Initial) (FTRR 4.2a/CBB 78.iv.e) |
| | Source of Funding During Relationship (FTRR S6.2.b.iii/CBB 78.iv.c) |
| | Source of Wealth (FTRR 4.2b/CBB 78 iv.d) |
| | Confirmation Credits obo Beneficial Owner (Corps.) (FTRR 6.2.c/CBBS.78.vii) |
| | Face-to-Face Interview Held (CBB 41) |
| OTHER KYC/CDD | Documents Current and Valid and Original and/or Certified (FTRR S.5/CBB S.80) |
| | Conduct Due Diligence on all UBO, Signatories or Persons with Effective Control (CBB S.77.iii-iv) |
| | Government Business License |
| | NIB Certificate of Good Standing |
| | Audited Financial Statements (High Risk) |
| | VAT Tax Compliance Certificate |
| | CRS/FATCA / W9 |
| | Conduct Sanctions Screening/ID Verification Evidence (e.g. Worldcheck Report) |
| | Risk Based Approach Applied (CBB 34) |
| | Compliance Officer Signature Approval or Escalated to MLRO |
| | Further Verification Not Required once Identity already Verified (CBB S.84) |
| | Simplified Due Diligence Applied (CBB S.138) |
| | Enhanced Due Diligence (High Risk) (CBB S.138) |