



# **CENTRAL BANK OF THE BAHAMAS**

## **GUIDE TO THE AML/CFT/CPF LADDER OF SUPERVISORY INTERVENTION**

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## **A GUIDE TO THE AML/CFT/CPF LADDER OF SUPERVISORY INTERVENTION**

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## PURPOSE

1. This document serves as a corresponding Guide to the Central Bank's Ladder of Supervisory Intervention, by incorporating remedial intervention measures specific to anti-money laundering, countering the financing of terrorism, and countering proliferation financing ("AML/CFT/CPF"). It highlights the AML/CFT/CPF compliance obligations set out in the Financial Transactions Reporting Act, 2018 ("FTRA"), and the Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering, Countering the Financing of Terrorism and Proliferation Financing (AML/CFT Guidelines) and outlines the Central Bank of The Bahamas ("the Central Bank" or "CBOB") supervisory intervention measures.
2. These measures will be applied by the Central Bank when assessing adherence to these obligations and to ensure appropriate remedial supervisory actions pursuant to the Central Bank's core supervisory principles and powers under the relevant legislation and guidelines.<sup>1</sup>
3. Any SFI that is staged will be added to the Central Bank's Supervisory Watch List which may result in supervisory actions to be taken in accordance with the respective stage.

## APPLICABILITY

4. This guide applies to all licensed and registered Supervised Financial Institutions (SFI).

## CENTRAL BANK'S AML/CFT/CPF LADDER OF SUPERVISORY INTERVENTION

5. The ladder of supervisory intervention contained in this Guide conforms with the Central Bank's Risk Based Supervisory Framework which seeks to achieve an accurate assessment of an individual SFI's key business risk, controls, and managerial strength on an ongoing basis in order to facilitate a prompt supervisory response to matters impacting an SFI's ongoing compliance with its AML/CFT/CPF legislative and regulatory obligations.
6. This Guide outlines the actions that SFIs can normally expect the Central Bank to take given the outcome of their risk assessments, non-compliance with legislation, regulations, guidelines, or SFI-specific directives, conditions and requirements.
7. The Guide provides a description of the five stages of supervisory intervention, detailing the likely actions to be taken in response to a breach of legislation,

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<sup>1</sup> Includes – Central Bank Act, 2020; Banks and Trust Companies Regulation Act, 2020, Financial Transactions Reporting Act, 2018; Financial Transactions Reporting Regulations, 2018; Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering & Countering the Financing of Terrorism (2023)

regulations, guidelines or directives; and the triggers at each stage that would cause an escalation to the next level of supervisory intervention.

8. This Guide, however, should not be interpreted as limiting the scope of actions that may be taken by the Central Bank in dealing with specific problems affecting SFIs. As such, the list of intervention measures is not exhaustive.
9. The Central Bank assesses each SFI taking into account qualitative and quantitative factors in determining which measures should be taken. While a range of supervisory intervention measures is at the disposal of the Central Bank, the Board of Directors and Senior Management have primary responsibility for addressing and rectifying weaknesses/problems identified through its ongoing assessment of AML/CFT/CPF risk within the SFI and the effectiveness of its controls.

## **Stage 0: No Intervention**

10. If the Central Bank determines that a SFI has a robust AML/CFT/CPF Framework, adequate AML/CFT/CPF policies and procedures and AML risk control frameworks commensurate with its nature, scope, complexity and risk profile, the SFI will not be staged.
11. While no AML/CFT/CPF intervention is warranted, the SFI will continue to be supervised in accordance with its prescribed rating of ML/TF/PF Risk Assessment and routine supervisory activities will be maintained by the Central Bank.

## **Circumstances**

The following circumstances describe conditions that would typically apply at Stage 0 of the Supervisory Ladder of Intervention, where the SFI is assessed as operating within a stable and effective AML/CFT/CPF compliance environment:

- No material AML breaches with no regulatory findings in the past 24 months;
- Strong AML/CFT/CPF governance and oversight
- Sound AML/CFT/CPF framework aligned with FATF standards and local regulations with Board-approved policies reviewed within past 12-18 months;
- Adequate internal controls and Board oversight with independent compliance testing completed satisfactorily;
- Timely and accurate STR filings and risk assessments with STR filing rates at or above industry benchmarks;
- Low residual risk based on risk-based supervision with AML/CFT risk assessment updated within past 12 months;
- Staff training completion rates above 95% (with passing scores) inclusive of Board and senior management; and

- Transaction monitoring system generating appropriate alert volumes within expected industry ranges.

### Supervisory Response

- Routine monitoring, periodic offsite reviews, and standard supervision.

### Stage 1 Intervention: Early Intervention

12. Formally notifying senior management by way of supervisory letter that the SFI is undergoing a Stage 1 intervention and would be required to take measures to mitigate the identified AML/CFT/CPF deficiencies.

AML/CFT/CPF Breach	Classification of Breach	Likely Intervention
<ul style="list-style-type: none"> <li>• SFI has inadequate AML/CFT training for staff.</li> <li>• Outdated references in AML training policies despite current rules being applied in practice</li> <li>• Minor delays in refresher training or training for new employee training (1-3 months beyond due date).</li> <li>• Customer risk ratings not updated within prescribed timeframes (30-90 days overdue).</li> </ul> <p><b>Circumstances:</b></p> <ul style="list-style-type: none"> <li>• Minor deficiencies in AML procedures or internal controls (for example, minor delays in refresher training course, outdated references in AML policies although current rules are being applied, internal checklists used but not consistently filed with onboarding records) including training delays 1-3 months beyond due date, customer risk rating updates 30-90 days overdue.</li> <li>• Isolated delays in transaction monitoring or STR filings with 1-2 isolated delays not exceeding 30 days.</li> </ul>	<ul style="list-style-type: none"> <li>• Minor</li> </ul>	<ul style="list-style-type: none"> <li>• Remediation plan to address AML/CFT/CPF training gap should be formally submitted to CBOB and tested during next scheduled onsite examination.</li> <li>• Copies of the relevant AML/CFT/CPF training logs verifying the frequency and relevance of AML/CFT/CPF training must be submitted to the Central Bank within a specified timeframe (per Section IX of the CBOB's AML/CFT Guidelines).</li> </ul> <p><b>Supervisory Response:</b></p> <ul style="list-style-type: none"> <li>• Written advisory or management letter;</li> <li>• Follow-up action plan required;</li> <li>• Increased frequency of reporting and targeted follow-up.</li> </ul>

AML/CFT/CPF Breach	Classification of Breach	Likely Intervention
<ul style="list-style-type: none"> <li>• Gaps in staff training or Board-level AML oversight with training completion rates between 85-95%.</li> <li>• No evidence of wilful misconduct or client harm.</li> <li>• Risk of deterioration if not addressed with emerging patterns that could escalate if unaddressed.</li> <li>• Transaction monitoring alert backlogs of 1-10 alerts pending beyond service level agreements.</li> <li>• Customer due diligence documentation incomplete for less than 5% of new accounts.</li> <li>• Continual late filings of supervisory returns or delayed responses to supervisory requests.</li> </ul>		

## Stage 2 Intervention: Heightened Risk to Operational Viability

13. Formally advise SFI that their inability to remediate AML breaches in Stage 1 has enhanced CBOB regulatory response and has escalated CBOB intervention to include the following:

### Administrative Monetary Penalties (“AMPs” for SFI)<sup>2</sup>

- Minor – up to \$50,000;
- Serious- up to \$100,000; and
- Very Serious – up to \$200,000.

### Escalation trigger

- Stage 1 deficiencies remaining unresolved after 3-6 months.

<sup>2</sup> As per the Schedule of the [Guidance Note on the Administrative Monetary Penalties for Supervised Financial Institutions](#) under The Bahamas’ Anti-Money Laundering and Countering the Financing of Terrorism Regime.

AML/CFT/CPF Breach	Classification of Breach	Likely Intervention
<ul style="list-style-type: none"> <li>SFI has failed to maintain books and records as required [Sections 15 and 16 FTRA].</li> <li>Deficiencies in SFI's record keeping.</li> </ul>	Minor/Serious/Very Serious	<ul style="list-style-type: none"> <li>Conduct AML/CFT/CPF Special Focus onsite examination and issue requirements and directives as appropriate.</li> <li>The remediation of the requirement or directive issued should be tested during the next onsite examination visit within 3-6 months period).</li> </ul>
<ul style="list-style-type: none"> <li>SFI has not consistently conducted ML/TF/PF risk assessments as outlined in Sections 5 and 14 of the FTRA.</li> </ul>	Serious	<ul style="list-style-type: none"> <li>Conduct AML Special Focus onsite examination and issue requirements and directives as appropriate.</li> <li>The remediation of the requirement or directive issued should be tested during the next onsite examination visit within 3-6 months period).</li> </ul>
<ul style="list-style-type: none"> <li>SFI has failed to conduct ongoing due diligence with respect to the accounts and transactions of facility holders [Section 12 of the FTRA].</li> </ul>	Serious	<ul style="list-style-type: none"> <li>Conduct AML Special Focus onsite examination and issue requirements and directives, as appropriate.</li> <li>Require ongoing reporting of remediation efforts for a period no more than a year with confirmation to be made during onsite examination</li> </ul>
<ul style="list-style-type: none"> <li>Material issues/deficiencies identified in SFI's AML/CFT Internal Audit Report(s).</li> </ul>	Serious	<ul style="list-style-type: none"> <li>Request that a special audit be conducted by an auditor other than the SFI's external auditor at the SFI's expense.</li> </ul>
<ul style="list-style-type: none"> <li>SFI fails to undertake the identification of a facility holder, or fulfil the identification or other requirements of the facility holder [Sections 6(2)-6(5) of the FTRA].</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Require ongoing reporting of remediation efforts.</li> <li>Conduct AML Special Focus onsite examination and issue requirements and directives as appropriate.</li> <li>Ongoing monitoring of remediation efforts during the next onsite examination visit within 3-6 months period).</li> </ul>
<ul style="list-style-type: none"> <li>SFI fails to fulfill the requirements of Sections 5-9 and 14 of the FTRA, and either carries out a transaction, or intentionally opens an account or establishes a business relationship.</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Conduct AML Special Focus onsite examination and issue requirements and directives, as appropriate.</li> <li>Ongoing monitoring of remediation efforts during the next onsite examination to occur within 6 months).</li> </ul>

<p><b>Circumstances:</b></p> <ul style="list-style-type: none"> <li>• Repeated non-compliance with AML/CFT guidelines including 3 or more minor violations of the same type within 12 months.</li> <li>• Deficient customer risk rating or CDD processes with incomplete documentation for more than 5% of new accounts in any quarter.</li> <li>• Inadequate or poorly functioning transaction monitoring systems including system downtime exceeding 48 consecutive hours without backup procedures.</li> <li>• Delays or failures in filing STRs including 3-5 STRs filed beyond regulatory deadlines in a 6-month period.</li> <li>• Absence of documented policies or weak governance structures.</li> <li>• Signs of potential client misuse of financial services.</li> <li>• AML training completion rates below 85% institution-wide.</li> <li>• High-risk customer reviews overdue by more than 6 months for 10% or more of designated high-risk accounts.</li> <li>• Customer risk rating methodology producing inconsistent results across similar customer types.</li> <li>• Failure to remediate AML/CFT/CPF remedial measures emanating from CBOB Report of Examinations within the stipulated timeframe (e.g., over 2+ consecutive cycles)</li> </ul>		<p><b>Supervisory Response:</b></p> <ul style="list-style-type: none"> <li>• Formal direction or warning letter;</li> <li>• Mandatory remediation plan with timelines;</li> <li>• More frequent onsite reviews; increased reporting obligations;</li> <li>• Board and senior management meetings.</li> </ul>
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### Stage 3 Intervention: Severe Risk to Operational Viability

14. Formally advise the SFI that their inability to remediate AML breaches in Stage 2 has enhanced CBOB regulatory response and has escalated CBOB intervention to include the following:



**Administrative Monetary Penalties (“AMPs” for SFI)**

- Minor – up to \$50,000;
- Serious - up to \$100,000; and
- Very Serious – up to \$200,000.

AML/CFT/CPF Breach	Classification of Breach	Likely Intervention
• Deficiencies in ML/TF/PF Risk Assessment identified having an adverse impact on operations	Serious	• Mandate via a directive or requirement that the SFI conducts ML/TF/PF Risk Assessment within a 3 months period.
• SFI enters into a correspondent relationship and fails to apply the prescribed identification, information collection, and evaluative measures [Sections 6-11 and 16 of the FTRA].	Very Serious	• Conduct AML Special Focus onsite examination and issue requirements and directives as appropriate.
• SFI has not consistently fulfilled the requirements to undertake customer due diligence and enhanced due diligence as outlined in Sections 6-9 of the FTRA, and then fails to (immediately) terminate the business relationship with the customer.	Serious	• The remediation of the requirement or directive issued should be tested during the next onsite examination visit within 3-6 months period).

**Stage 4 Intervention: Severe Regulatory Breaches**

15. Formally advise the SFI that their inability to remediate AML breaches in Stage 1 has enhanced the CBOB regulatory response and has escalated CBOB intervention to include the following:

**Administrative Monetary (“AMPs” for SFI)**

- Minor – up to \$50,000;
- Serious- up to \$100,000; and
- Very Serious – up to \$200,000.

**Escalation trigger**

- Stage 3 deficiencies remaining unresolved after 18 months.

AML/CFT/CPF Breach	Classification of Breach	Likely Intervention
<ul style="list-style-type: none"> <li>SFI has consistently failed to carry out, document or update risk assessment [Section 5 of the FTRA].</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Mandate via a directive or requirement that the SFI conducts AML/CFT/CPF Risk Assessment within a three (3) month period.</li> </ul>
<ul style="list-style-type: none"> <li>SFI opens an anonymous account, or an account in a fictitious name for a facility holder [Sections 6 (2)- (5) of FTRA].</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Issuance of Directives and Requirements, as appropriate.</li> <li>Enhancements to relevant policies and procedures.</li> </ul>
<ul style="list-style-type: none"> <li>SFI fails to comply with obligations for enhanced due diligence [Section 13 of FTRA].</li> </ul>	Very Serious	
<ul style="list-style-type: none"> <li>Deficiencies in SFIs reporting of suspicious transactions ("STRs").</li> <li>SFI fails to submit a report to the Financial Intelligence Unit [Section 25 of FTRA]</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Issue Directives for the enhancement of the SFIs STR policies and procedures.</li> <li>Identified members of SFI are liable to imprisonment (term up to 5 years) or to a fine up to \$500,000 dollars (As per Section 49 FTRA)</li> </ul>
<ul style="list-style-type: none"> <li>SFI fails, without reasonable excuse, to retain or properly keep, destroy records. [Sections 15 and 17 of the FTRA]</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Issue a directive for the submission of a remediation plan to the Central Bank within 3 months. The remediation plan is to be approved by the Board.</li> </ul>
<ul style="list-style-type: none"> <li>SFI fails to maintain internal control programs [Sections 19-23 of the FTRA].</li> </ul>	Very Serious	
<ul style="list-style-type: none"> <li>SFI establishes, operates, or deals with a shell bank [Section 24(1)(a) of the FTRA]</li> <li>SFI deals with a shell bank in another jurisdiction. [Section 24(1)(b) of the FTRA]</li> <li>SFI enters into, or continues, a correspondent relationship with a shell bank or respondent institution that permits its accounts to be used by a shell bank. [Section 24(1)(c) of the FTRA].</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>Issue a directive for the SFI to close the account or terminate the relationship with the shell bank or correspondent bank, as applicable, within 1 month.</li> </ul>

AML/CFT/CPF Breach	Classification of Breach	Likely Intervention
<ul style="list-style-type: none"> <li>• Failure to develop and implement remediation plan and conduct acceptable business practices adversely impacting ongoing operational viability.</li> </ul>	Very Serious	<ul style="list-style-type: none"> <li>• Requiring provision of remediation plan to be approved by the Board.</li> </ul>
<ul style="list-style-type: none"> <li>• Wilful blindness or facilitation of money laundering including deliberate avoidance of customer due diligence despite red flags, intentional non-reporting of obviously suspicious transactions.</li> <li>• Systemic breakdown of AML controls including AML compliance function non-operational for &gt;30 days, Board-level AML oversight absent for 6+ months.</li> <li>• Institutional governance failure or cover-up of AML breaches including active concealment of AML deficiencies from regulators or auditors.</li> <li>• PEPs or sanctioned individuals linked to the institution with undisclosed beneficial ownership or control relationships.</li> <li>• Regulatory obstruction or misrepresentation including refusing examiner access to records, providing false information to supervisors, retaliating against staff raising AML concerns.</li> </ul>	Very Serious	

## Stage 5 Intervention: Non- Viability

16. Stage 5 intervention is initiated when the SFI has consistently failed to remediate AML regulatory breaches outlined in stages 1-4 within a prescribed form and timeframe stipulated by the Central Bank of The Bahamas.

**Likely Intervention**

17. Pursuant to Section 57(5) of FTRA, the Central Bank may impose a penalty on a person(s) and issue a warning letter to the SFI outlining the contravention and possible remediation. Failure to remediate deficiencies within a stipulated timeframe may result in the following:

- Notice given to the general public;
- Formal activation of resolution plan for the SFI;
- Removal of person(s) identified with the contravention;
- Imposing a fine or imprisonment (or both);
- Suspension of SFI's licence;
- Revocation of the licence; and/or
- Notification to the SFIs home regulator, as appropriate, or other host regulators of the supervisory action taken