



NOTICE

Reporting of unverified facilities and Development of an anti-money laundering risk framework

A. Reporting Requirements in respect of customers with existing facilities which remain unverified as of 1st April 2004 (“unverified facilities”)

The Financial Transactions Reporting Act, 2000 (FTRA), as amended by the Financial Transactions Reporting (Amendment) Act, 2003, requires financial institutions to verify the identity of customers who have facilities which were established prior to 29th December 2000 (“existing facilities”).

Where a licensee of the Central Bank of The Bahamas has not verified the identity of any customer having an existing facility by 1st April 2004, the licensee is required to notify the Central Bank. Licensees are required to provide the Central Bank with the information set out below, with respect to all customers with existing facilities, whose identities remain unverified as of 1st April, 2004 (“unverified facilities”). These reports should be submitted to the Central Bank no later than 30th April 2004. Upon receipt of the required information the Central Bank will issue written directions to licensees with respect to unverified facilities. The FTRA as amended provides that such directions shall include the power to suspend or discontinue any further activity in relation to the facility of such customers until verification has taken place.

Licensees are hereby required to submit to the Central Bank, not later than 30th April 2004, a listing of all unverified facilities, which should include the following information:

- The identification number of each facility;
- The balance or value of each reported facility as at 31st December 2003;
- An indication of those facilities which are considered by the licensee as inactive;
- An indication of which facilities, in the licensee’s opinion, are likely to be verified pursuant to the requirements of the Financial Transactions Reporting (Amendment) Regulations, 2003 (within such period as may be agreed with the Central Bank);

- An indication of which facilities, in the licensee's opinion are unlikely to be verified pursuant to the requirements of the Financial Transactions Reporting (Amendment) Regulations, 2003;
- The total number of unverified facilities as at the reporting date.

Licenses should present the foregoing information in a secured electronic format. The information should be sent to the Manager of the Bank Supervision Department, at the Central Bank.

B. Risk Rating Framework

As previously advised to all licensees, the Central Bank expects every licensee to implement a risk rating framework appropriate to its business (i.e. products and customer-base), for the purpose of assessing the potential money laundering risk which each client relationship poses to the licensee.

The Central Bank recognizes that licensees will require a reasonable period of time to implement such a framework. Licensees will therefore be expected to have in place a risk rating framework appropriate to their business, no later than 30th June 2004.

To assist licensees that may require guidance on the implementation of a risk rating framework, the Central Bank will shortly issue Interim Guidelines for Anti-Money Laundering and Know Your Customer Procedures for Licensees which address, inter alia, the minimum requirements for a risk rating framework. These guidelines were released in draft form on 23rd January 2004. To address some of the concerns raised by licensees, these Interim Guidelines will be finalized and issued on 1st April 2004.

The Central Bank of The Bahamas thanks its licensees for their review and comments on the draft Interim Guidelines issued on 23rd January 2004, and we would appreciate your continued cooperation.

Questions regarding this notice should be addressed to:

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