



**COMMONWEALTH OF THE BAHAMAS
2025 PROLIFERATION FINANCING NATIONAL
RISK ASSESSMENT-SUMMARY OF KEY FINDINGS**



OFFICE OF THE ATTORNEY-GENERAL & MINISTRY OF LEGAL AFFAIRS

Table of Contents

Glossary – Key Abbreviations	pg 3
Foreword	pg 3
Executive Summary	pg 5
Introduction and Context	pg 5
Overview of the Risk Assessment Methodology	pg 7
National Proliferation Financing Threats & Vulnerabilities	pg 9
Sector Analysis	pg 9
Maintaining and Strengthening CPF Controls	pg 15
Conclusion	pg 15

Glossary – Key Abbreviations

Note: This section provides key abbreviations consistently used throughout this publication.

AML	Anti-Money Laundering
ATA	Anti-Terrorism Act, 2018
BCD	Bahamas Customs Department
BO	Beneficial Owner
CBB	Central Bank of The Bahamas
CCB	Compliance Commission of The Bahamas
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Countering the Financing of Terrorism
CO	Compliance Officer
CPF	Countering Proliferation Financing
DNFBP	Designated Non-Financial Banks and Professions
EU	European Union
FATF	Financial Action Task Force
FCIB	Financial Crime Investigation Branch
FIU	Financial Intelligence Unit
FIUA	Financial Intelligence Unit Act, 2023
FTRA	Financial Transactions Reporting Act, 2018
FTRR	Financial Transactions Reporting Regulations, 2018
GBB	Gaming Board of The Bahamas
GFSR	Group of Financial Services Regulators
ICB	Insurance Commission of The Bahamas
KYC	Know Your Customer
MER	Mutual Evaluation Report
ML	Money Laundering
MLRO	Money Laundering Reporting Officer
NRA	National Risk Assessment
NIRFC	National Identified Risk Framework Coordinator
NIRFsC	National Identified Risk Framework Sr. Consultant
PEP	Politically Exposed Person
PF	Proliferation Financing
POCA	Proceeds of Crime Act, 2018
RBDF	Royal Bahamas Defence Force
RBPF	Royal Bahamas Police Force
SCB	Securities Commission of The Bahamas
STR	Suspicious Transaction Reporting
TF	Terrorist Financing
UNSCR	United Nations Security Council Resolution
U.S	United States of America
WMD	Weapons of Mass Destruction

FOREWORD

The Commonwealth of The Bahamas, as a founding member of the Caribbean Financial Action Task Force (CFATF) in 1990, has demonstrated its longstanding commitment to international standards in the fight against financial crime, including proliferation financing. The jurisdiction has undergone four (4) mutual evaluations by the CFATF to assess technical compliance with the FATF's 40 Recommendations and the immediate outcomes of the AML/CFT measures in place.

The CFATF's 2026 5th Round Mutual Evaluation of The Bahamas will be governed by the June 2025 revised FATF Methodology. It will focus on assessing technical compliance with revised Recommendations and evaluating The Bahamas' effectiveness in implementing the standards. For the first time the evaluation will also include an assessment of PF risk and in this regard, will highlight the FATF's Recommendation 7 (Targeted Financial Sanctions Related to Proliferation) and elements of Recommendation 1 (Assessing Risks), Recommendation 2 (National Co-Operation & Co-Ordination), and Recommendation 15 (New Technologies). The FATF's Immediate Outcome 3 (Supervision) and Immediate Outcome 11 (Prevention of Raising and Moving Funds for PF) will also be featured.

I am pleased to state that The Bahamas' legal, enforcement and regulatory frameworks are continuously revamped and enhanced as is deemed necessary to meet the challenges and international standards in the fight against financial crime, including money laundering, terrorist financing as well as proliferation financing. Over the past eight years, The Bahamas has introduced new legislation and strengthened existing legislation, including the Proceeds of Crime Act, 2018, the Financial Transactions Reporting Act, 2018 and subsequent regulations, the Register of Beneficial Ownership Act, 2018, the Anti-Terrorism Act, 2018 and subsequent regulations, the Digital Assets and Registered Exchanges Act, 2024 (DARE), and the Financial Intelligence Unit Act, 2023. It should be noted that the DARE was repealed and replaced in 2024.

Noteworthy is the country's accomplishments in obtaining delisting from the FATF's "Jurisdictions Under Increased Monitoring List" in December 2020 and the European AML Blacklist in January 2022. Further, The Bahamas achieved 40 for 40 compliant and largely compliant ratings for the FATF 40 Recommendations in December 2022, becoming, at the time, only the second jurisdiction in the Americas and Caribbean and the sixth in the 206 member FATF Global Network of jurisdictions to accomplish this achievement.

It gives me great pleasure to present on behalf of the Government of The Bahamas, the results of The Bahamas' first Proliferation Financing National Risk Assessment (PFNRA). With the backdrop that The Bahamas has never experienced Weapons of Mass Destruction proliferation events nor the financing of this crime, the PFNRA was conducted in 2025 covering the CFATF's Assessment review period which spans 2021 to 2025. The FATF's *Guidance on Proliferation Financing Risk Assessment and Mitigation*, as well as Rusi's *Guide to Conducting a National Proliferation Financing Risk Assessment 2024* were used as references in this exercise.

As with the other NRAs, a collaborative approach was taken and information was derived from the International Legal Cooperation Unit – OAG, Financial Intelligence Unit, as well as Law Enforcement and Regulatory Agencies. As part of their existing methodologies for AML/CFT/CPF, agencies have assessed threats and vulnerabilities for PF, as well as the vulnerabilities within the various financial and non-financial sectors. It is anticipated that the PFNRA will be updated periodically. The Bahamas Government wishes to extend its appreciation to those individuals, within both the private and public sectors, who contributed to the PFNRA process. We will continue to exercise vigilance to protect the jurisdiction's financial system from abuse and misuse by money launderers, terrorist financiers and proliferation financiers. By doing so, The Bahamas will remain a competitive financial services jurisdiction with a stable and safe environment to conduct business as a global partner in the fight against proliferation financing and proliferation of weapons of mass destruction.

Hon. Ryan L. Pinder, K.C., Attorney-General & Minister of Legal Affairs

EXECUTIVE SUMMARY

The 2025 PFNRA is in line with the FATF's PF Risk Assessment Guidance, which promotes improved identification, understanding and mitigation of PF risk on a regular basis. The mitigation of PF risk impedes bad actors from raising, storing, moving and using funds, financial assets, or other economic resources to engage in the proliferation of weapons of mass destruction (WMD).

The identification of PF Threats considers the fact that there is no evidence of recorded incidences or attempts to proliferate WMD in The Bahamas or attempts to finance WMD proliferation from The Bahamas. However, The Bahamas' proximity to the United States (U.S.), its most significant ally both geographically and strategically should be noted. The U.S. has many manufacturers that produce military and proliferation-related technology (including dual-use items), and this reality is also factored into the assessment. As a result, the threat of contagion to Bahamian financial networks is considered. The 2024 U.S. PFNRA also goes on to state that "*the threat actors that were identified in 2022 still pose PF risks based on intelligence and case studies*".

According to the 2024 U.S. PFNRA, the prominent PF networks that pose a threat to the United States are operating under the direction of state actors, (namely the Russian Federation, Democratic People's Republic of Korea (DPRK), Iran, the People's Republic of China (PRC), Syria and Pakistan) to finance WMD proliferation. The PF activity identified in the US includes both financing to procure goods for the purpose of developing WMD as well as fund raising that provide bad actors the revenue to advance their WMD activities. Due to the volume of funds that flow between the U.S. and The Bahamas, controls to mitigate PF involving the U.S. must be factored into The Bahamas' PFNRA.

The Bahamas is very responsive to UNSCR Sanction Notices and actions them "without delay". This means that upon receipt of the UNSCR Sanction Notice, within 24 hours they are sent to the various competent authorities (CAs) by the National Identified Risk Framework Coordinator - Office of the Attorney General (OAG), for immediate posting to their respective websites and circulation to all financial sector service providers for review of their databases and necessary action. The Group of Financial Services Regulators (GFSR) which comprise the Central Bank of The Bahamas (CBB), the Securities Commission of The Bahamas (SCB), the Insurance Commission of The Bahamas (ICB), the Compliance Commission of The Bahamas (CCB) and the Gaming Board of The Bahamas (GBB) have issued both a Guidance Note and most recently, Guidelines with respect to PF. There is also quarterly reporting by these agencies as to what actions if any, have been undertaken by the constituents of these agencies.

Since 2022, Russia, Iran and the DPRK have been the highest risk threat actors and are sophisticated in their illicit procurement and revenue-generation efforts, collaborating on arms purchases and military assistance in direct violation of the UNSCRs. The DPRK has provided military equipment and munitions to Russia for use in its full-scale invasion of Ukraine. The risk is that in return, Russia may provide military assistance to the DPRK to expand its WMD program. Iran has received assistance in technology and materials, furthering their WMD program, from friendly nations such as China and Russia.

Introduction and Context

The Financing of Proliferation of Weapons of Mass Destruction (PF) is defined by the FATF as "*the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, travel, stockpiling or use of nuclear, chemical, or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations*".

2

The 2025 PFNRA, along with the 2022 Money Laundering National Risk Assessment (MLNRA) and the 2024 Terrorist Financing National Risk Assessment (TFNRA), collectively provide a comprehensive overview of the financial crime risks in The Bahamas. WMD and their associated delivery systems present a key national security threat to The Bahamas' closest ally - the United States (U.S.). The geographical and technological proximity to the U.S., with integrated systems such as SWIFT³ that easily facilitates international transactions, U.S. correspondent banks and 9.5 million U.S. tourists

¹ [https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Status-report-proliferation-financing.pdf#:~:text=the%20act%20of%20providing%20funds%20or%20financial,means%20of%20delivery%20and%20related%20materials%20\(](https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Status-report-proliferation-financing.pdf#:~:text=the%20act%20of%20providing%20funds%20or%20financial,means%20of%20delivery%20and%20related%20materials%20()

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https://www.google.com/search?q=SWIFT&oq=SWIFT&gs_lcrp=EgZjaHJvbWUyBggAEEUYOTINCAEQlhivARjHARiABDI NCAIQLhjHARjRAXiABDIHCAMQABiABDIHCAQQABiABDIHCAUQABiABDIHCAYQABiABDIJCACQABgKGIAEMgc

visiting annually on average who may access the financial system through institutions like money transmission businesses or casinos have together, made the financial system of The Bahamas a possible exploitation target by potential proliferation financiers.

PF is articulated under the Bahamas' Anti-Terrorism Act, 2018 Section 9(1) as *“any person who by any means, directly or indirectly, willfully provides or collects funds, provides financial services or makes such services available to persons, or attempts to do so with the intention or in the knowledge that such funds are to be used in whole or in part*

- (a) *to manufacture, develop or produce or participate in the development or production of a nuclear, biological, or chemical weapon for use in terrorists acts;*
- (b) *to distribute, or supply a nuclear, biological or chemical weapon to carry out a terrorist act;*
- (c) *to train persons or groups of persons to develop or produce or participate in the development or production of a nuclear, biological or chemical weapon for use, by a terrorist or by a terrorist organization for any purpose;*
- (d) *conducts and constitutes an offence under or defined in any of the Treaties listed in the Schedule or;*
- (e) *to carry out any other act –*
 - (i) *that has the purpose by its nature or context, to intimidate the public or to compel a government or an international organization to do or to refrain from doing any act; and*
 - (ii) *that is intended to cause –*
 - (aa) *death or serious bodily harm to a civilian or in a situation of armed conflict to any person not taking an active part in the hostilities;*
 - (bb) *the risk, damage, interference or disruption of the kind mentioned in subparagraph (bb), (cc) or (dd) of Section 13(1) as the case may be”.*

The Office of the Director of Public Prosecution (DPP) has confirmed that there have been no PF cases brought to trial in The Bahamas.

The Royal Bahamas Police Force (RBPF) has confirmed that they have never investigated any incidents of Proliferation of WMD or its financing, in The Bahamas.

The Financial Intelligence Unit confirmed that from 2021 to date there have been three Suspicious Transaction Reports (STRs) filed where the criminality suspected by the submitting financial institutions were incidents of proliferation financing using digital assets. However, subsequent analyses conducted by the FIU disproved these theories and all three cases were closed with no evidence of PF discovered. For intelligence purposes however, the subjects' names were sent to the Financial Crimes Investigation Branch (FCIB) of the RBPF for their logging and cross referencing.

Other competent law enforcement authorities namely the Bahamas Customs Department (BCD) and the Royal Bahamas Defence Force (RBDF) have both confirmed that no incidents of proliferation of WMD or its financing were ever reported or investigated.

Noteworthy is the fact that Bahamian waters border significant transshipment routes. The RBPF Anti-Terrorism Unit (RBPF-ATU) has disclosed that from 2021 to present, there have been a few items that have washed up on Bahamian shores from passing shipping vessels that had to be destroyed due to the hazardous nature. Further, RBPF-ATU has advised that local companies importing goods used for other purposes (dual use goods) are frequently visited to ensure the storage and use of the goods are sanctioned by the government. Moreover, these companies must obtain special licenses in order to import such products.

The Regulatory Agencies, namely the CBB, the SCB, the CCB, the ICB and the GBB have all confirmed that the ongoing supervision of their constituents have never resulted in suspected legal or natural persons who are clients of these constituents, identified for PF.

The Bahamas has enacted a compendium of laws that criminalizes PF and which ensures the existence of CPF controls. These include the Anti-Terrorism Act, 2018 (ATA), the Proceeds of Crime Act, 2018 (POCA), the Financial Transactions Reporting Act, 2018 (FTRA), the Financial Intelligence Unit Act, 2023 (FIUA) the Data Protection (Privacy of Personal Information) Act (Ch. 324A) (DPA) and the Customs Management Act (Ch. 293) (CMA). A Guidance Note was released in 2018 by the Group of Financial Services Regulators (GFSR) which raised the awareness of the risks and vulnerabilities created by proliferation and proliferation financing, described indicators of possible proliferation financing risks, and illustrated the potential damage to The Bahamas if a regulated entity plays an appreciable role in the activity. The CPF Guidelines that were issued in 2025 targeted both public and private sector stakeholders to help them identify, assess, understand and mitigate PF risks. These laws and guidelines are enacted to disrupt the efforts of bad actors; and facilitate outreach and engagement to key stakeholders, both within and outside The Bahamas.

The Bahamas is regarded as an international offshore center (IFC) and remains a target for exploitation by PF networks. The value of the Bahamian Dollar is on exact parity with the U.S. Dollar. Residents and visitors use U.S. currency in tandem with Bahamian currency in The Bahamas as both are considered legal tender. This dual currency system and the existence of correspondent banks cause FIs in The Bahamas to often interact with the U.S. financial system. As the U.S. is under constant exploitation attempts from PF bad actors, this means that FIs operating in The Bahamas and transacting with the U.S. may also be subject to such attempts.

Overview of the Risk Assessment Methodology

The Government of The Bahamas has a variety of tools and authorities to detect and combat PF. Actioning without delay is critical for all UNSCR Notices. Interagency coordination is also essential and involves a variety of measures ranging from global sanctions and other financial authorities utilized to target PF and support networks.. Financial regulators are also involved in monitoring private sector compliance with Bahamian regulations designed to combat various types of financial crime, a process that involves regular supervisory reviews and occasionally taking enforcement action against institutions that run afoul of these regulations, when appropriate. Coordinated outreach from all these departments and agencies to the private sector and communication with international partners is also a key component that helps to inform and refine actions taken and provide these stakeholders with necessary information to help better combat PF threats.

As part of the broader post-September 11, 2001, efforts to strengthen national security, The Bahamas government focused increasingly on the importance of identifying the potential TF/PF threats and focused on the importance of financial intelligence collected and disseminated by the FIU and other sources. The Bahamas mitigates PF risk through exploiting financial intelligence, adhering to economic sanction alerts by the UNSCR, engaging private sector entities and foreign partners, and taking the regulatory actions deemed necessary to protect the Bahamian financial system from abuse. UNSCR financial sanction notices are used as tools to assist FIs, DNFBCs and others to identify, disrupt, and prevent WMD proliferators from accessing The Bahamas' financial system. Once designated or identified, Bahamian legislation and regulations require the blocking (freezing) of all property, including financial assets, of the targets. The OAG is charged with administering and overseeing the enforcement of economic sanctions programs for the country, including those targeting PF activities; the FIU is also charged with analyzing and forwarding any proliferation or PF intelligence to law enforcement. They are also empowered to block the property of persons engaged in, or suspected to be engaged in, proliferation activities and their support networks.

Interagency coordination, collaboration and communication on PF risk matters is derived through several formal and informal mechanisms, including the GFSR, The Office of the NIRFC, MOUs with key stakeholders, and formal/informal training and mechanisms.

Risk based supervision approaches and methodologies employed relevant to TF and PF risks, including any entity level and sector level TF and PF risk assessments:

The CBB adopts a risk-based supervisory framework, aligned with FATF recommendations to ensure supervisory efforts address TF and PF risks across all sectors. Their approach include:

- a. **Sector-Level Sanctions Thematic Review:** A comprehensive review focused on evaluating the effectiveness of sanctions compliance across SFIs. A second iteration is scheduled near Q4 2025, this review will undertake a risk-based approach for selected SFIs.
- b. **Draft Sanctions Screening Guidance Notes:** These are currently under development and scheduled for publication by end of Q3 2025. The Guidance Notes aim to enhance sector understanding of screening obligations, best practices, and provide clarity on minimum expectations for sanctions controls.
- c. **Data Collection & Analytics:** Use of risk-based questionnaires during onsite supervision, review of transaction-level data and external intelligence to identify emerging TF and PF risk through the United Nations Security Council updates.

Enforcement tools and recent supervisory actions taken in relation to TF and PF risks, including any penalties, TF and PF specific onsite examinations and/or desktop reviews. The CBB Framework allows a range of actions including:

- d. **Administrative Sanctions:** the issuance of warnings, monetary fines, directives and requirements for remedial action where deficiencies are identified.
- e. **Temporary or permanent removal of a License or Registration:** The suspension or revocation of a license is also an action that can be taken.
- f. **Incorporation of TF and PF elements:** During onsite examinations to ensure SFIs are maintaining appropriate policies and procedures. These examinations include sampling of sanctions screening frameworks and verification of adherence to periodic sanctions notices issued by the United Nations Security Council.

Pursuant to Section 6 of the POCA, the IRF Steering Committee is responsible for ensuring that the various law enforcement, legal and regulatory authorities, collaborate and cooperate to maintain The Bahamas' knowledge and understanding of its PF risk profile. Moreover, the IRF Steering Committee develops and proposes to Cabinet via the Ministerial Council's Chair, any amendments to laws and regulations, national CPF strategies, etc., to assist the country in mitigating identified risks.

The National Identified Risk Framework Coordinator (NIRFC) was tasked with coordinating the PFNRA with the assistance of the National Identified Risk Framework Senior Consultant (NIRFSc), and the International Legal Cooperation Unit (ILCU) of the Attorney General's Office.

The methodology used for this NRA is developed on the foundation that PF residual risk results from a combination of PF threats and vulnerabilities (culminating in inherent PF risks) less the mitigants. Moreover, the process of this proliferation risk assessment includes the efforts to identify, analyze and understand PF risks to enable The Bahamas to address the challenges these risks present in securing its financial system. The key concepts of a risk assessment were listed by the FATF as follows:

- a. **Risks** are determined by evaluation of three factors: threat, vulnerability and consequence. Accordingly, a determination of risk includes judgments regarding criminal threats to which a country is exposed, and vulnerabilities criminals can take advantage of to exploit financial systems.
- b. **Threats** can be a person or group of people, objects or activities potentially harmful to, the state, society, the economy, etc. In the PF context this can include proliferation support networks, many of which depend upon key associates or facilitators, acting for, or on behalf of, state-sponsored weapons programs or sanctioned individuals, their illicit funds and funding sources, with considerations given to their present and future PF activities. Bad actors seek to exploit The Bahamas' financial system to move funds that will be used to either: a) directly acquire WMD, delivery systems or their components; or b) further the development of state-sponsored weapons programs. FIs are usually unwilling (and unwitting) actors in proliferation-related transactions.
- c. **Vulnerabilities** are things that potentially can be used or exploited for PF abuse. Vulnerabilities can be identified as weaknesses in laws, systems or controls that govern CPF or certain features of a country. Further, they can highlight gaps and weaknesses in financial supervision, regulatory and enforcement regimes; and may also include the features of a particular sector, a financial services product or type of service that attracts PF.
- d. **Consequences** refer to the effect or harm that PF may cause and includes the impact of the associated predicate offence perpetuated on a jurisdiction's financial institutions, systems and economy. Successful use of WMD, or the financing thereto, are a clear and present threat to global peace and security. The consequences of PF will vary and extend from short to long term and may result in irreparable damage to a country or negatively impact a country's reputation or financial sector.
- e. **Risk** is a function of threat, vulnerability and consequence.

Given the challenges of not having any confirmed proliferation of WMD or PF incidents recorded in The Bahamas, this PFNRA seeks to primarily focus on gaining a comprehensive understanding of its PF threats and vulnerabilities to enable prioritization of mitigation efforts. This is accomplished by:

- a. Assessing existing legislation to confirm that PF and Proliferation of WMD is outlawed.
- b. Identifying the WMD proliferation threats that our closest ally (the U.S.) has identified and noting any risk of contagion.
- c. Determining if financial supervisors have had any reasons for concern or negative findings during their supervisory processes concerning PF.
- d. Ascertaining from law enforcement agencies if they have any recorded instances of Proliferation of WMD and/or PF.
- e. Ascertaining from the FIU if there were instances of STRs or spontaneous disclosures that may indicate the existence of PF or Proliferation of WMD.
- f. Using the research and analysis to identify residual PF risks impacting the Bahamas.

In preparing this assessment the following agencies and offices were consulted:

- a. The Office of the Attorney General, including the International Legal Cooperation and Compliance Units.
- b. The Office of the Director of Public Prosecutions.
- c. The Financial Intelligence Unit.
- d. The Bahamas Customs Department.

- e. The Financial Crime Investigation Branch, and the Anti-Terrorism Unit of the Royal Bahamas Police Force.
- f. The Bahamas Immigration Department.
- g. The Royal Bahamas Defence Force.
- h. The Central Bank of The Bahamas.
- i. The Securities Commission of The Bahamas.
- j. The Compliance Commission of The Bahamas.
- k. The Insurance Commission of The Bahamas.
- l. The Gaming Board of The Bahamas

In preparing this assessment the following sources were used:

- a. Anti-Terrorism Act
- b. Proceeds of Crime Act
- c. Financial Transactions Reporting Act
- d. Financial Intelligence Act
- e. GFSR Proliferation Financing Guidelines
- f. United Nations Security Council Resolution Sanction Notices
- g. Any export control violation cases that may suggest WMD financing
- h. Any publicly available law enforcement documents relating to criminal cases with a WMD or WMD-related sanctions violations nexus; and
- i. Any civil and criminal asset forfeiture complaints related to PF.

The conclusions reached by a review and analysis of these sources was also validated by classified intelligence reporting, analysis, and subject matter expert review. Classified information undergirding this review cannot be made public, however, where possible the risk assessment has endeavored to capture declassified aspects of activity broadly indicative of PF to provide a comprehensive assessment.

National PF Threats and Vulnerabilities

This PFNRA primarily draws from the work of the Office of the Attorney General as the leading authority, the Financial Supervisors and the Law Enforcement Agencies, and also draws from information derived from the UNSCR sanctions. State-sponsored or state-affiliated actors continue to pose the most significant PF threat to The Bahamas due to the possibility of contagion from global financial systems like that of the U.S.

All updates issued by the UN Security Council are issued to FIs and DNFBPs without delay. Institutions are mandated to review client relationships to ascertain whether UN sanctioned persons or entities are located in The Bahamas. Should there be any sanctioned persons or entities identified, instructions to submit STRs to the FIU and notifying OAG are enforced.

The Bahamas, as a member of CFATF (associate member of FATF), along with the 209 jurisdictions within the FATF Global network, alerts FIs and DNFBPs via the NIRFC to apply enhanced due diligence, and counter measures to protect the Bahamian financial system and by extension the global financial system from the ongoing ML/TF/PF risks. Further, FIs and DNFBPs are mandated to consider the ML/TF/PF risk associated with countries when maintaining business relationships and conducting transactions with individuals, companies, financial institutions, and those acting on its behalf. Formal alerts via regulatory notices are issued three times per year post the FATF publishing its “Public Statement” on High-Risk Jurisdictions.

Sector Analysis

BANKING

Banking business⁴ in The Bahamas is regulated by the CBB under the provisions of the ***Banks and Trust Companies Regulation Act, (BTCRA) 2020***. This supervisory framework encompasses prudential oversight, and ensures compliance with CPF obligations in line with domestic legislation and the Financial Action Task Force (FATF) standards. As at 31 December 2024, there were forty-four (44) banks and trust companies and 19 pure banks.

Licensees are required to implement robust internal controls, policies and procedures tailored to their exposure to money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks. These controls must be aligned with national legislative requirements and international standards, including FATF Recommendations.

The CBB adopts a risk-based supervision framework, aligned with FATF recommendations to ensure supervisory efforts address PF risk across all supervised sectors.

⁴ BTCRA,2020 as defined ‘banking business means (a) the business of accepting deposits of money which may be withdrawn or repaid on demand or after a fixed period or after notice and employing those deposits in whole or in part by lending or otherwise investing them for the account and at the risk of the person accepting them; and (b) without limiting the generality of the foregoing, includes the provision of money transmission services, and ‘banker’ shall be construed accordingly;

International banks operating within or from The Bahamas offer primarily private banking/wealth management, investment banking and notably, treasury management services. However, these banks are not permitted to conduct business or offer services in Bahamian dollars or cater to Bahamian citizenry without the approval of the CBB. Some international banks also provide primarily treasury management services for affiliate entities which reduces the sector risk overall.

The CBB discourages the use of currency notes for international banking. From the Central Bank's experience, there have been very few cash deposits in this sector⁵. The CBB's supervisory framework requires appropriate customer due diligence, mandatory ongoing training, effective compliance systems, and suspicious transactions monitoring and reporting by SFIs if required.

Conclusion

Considering the extremely strong mitigating controls demonstrated by this sector, the combined PF risk is assessed as **Medium-Low**.

LEGAL PERSONS & ARRANGEMENTS

Trusts and foundations can be structured in ways that make it difficult to identify the ultimate beneficiaries and controllers, creating opportunities for illicit actors to hide their activities. The use of multiple layers of trusts and foundations, or the involvement of nominee shareholders or directors, can add layers of complexity and opacity, making it challenging to trace the flow of funds. Trusts and foundations can be used as front companies to disguise the true nature of transactions and hide the involvement of proliferators or entities involved in WMD programs. Proliferators may use trusts and foundations to evade targeted financial sanctions by moving funds through complex structures or using intermediaries to obscure the ultimate beneficiaries.

Regulation and oversight for the Trust sector parallels that of the banking sector with supervision oversight extending to prudential, conduct and governance as well as CFT. Licensees in this sector, like others, are required to implement a three line of defence model, including a compliance function and independent internal audit.

Where external asset managers and other third-party intermediaries exist, SFIs are required to ensure the appropriate due diligence and controls are in place for these services as per the Central Bank's AML/CFT and the GFSR's CPF Guidelines.

Conclusion

Considering the mitigating CFP control measures, the risk profile of licensees/registrants, the PF risk level of the TCSP sector is assessed as **Medium-Low**.

CREDIT UNIONS

Credit Unions⁶ are supervised and regulated by the CBB pursuant to Section 5 of **The Bahamas Cooperative Credit Union Act, 2015** which outlines the CBB's governing authority as the supervisor for Co-operative Credit Unions. CBB's supervisory powers include conducting on-site examinations of co-operative credit unions (section (5)(2)(f)) and preparation and issuance of guidelines concerning the prevention of money laundering and financing of terrorism (section (5)(2)(h)). The sector is subject to all of the CBB's *Regulations*.

The members of the credit unions generally comprise low to middle-income members, and thus have a relatively smaller number of higher-risk and domestic PEP customers. Business is mainly conducted on a face-to-face basis.

Conclusion

The inherent risk for PF for the sector was assessed as **Low**. This is due to the nature and risk profile of the client base, the low value, Bahamian dollar and limited transactional activity conducted and the size of the sector. To qualify for credit union membership an individual must be a citizen or resident of The Bahamas. These factors contribute to the very low PF risk level for the sector. The residual PF risk level of the Credit Union sector is assessed as **Low**.

MTBS/PSPS

The inherent PF risk of the MTB sector is assessed as **Medium-Low**, and the residual PF risks of the MTB sector is assessed as **Low**. This considers the cash intensive nature of the sector, and the sectors' ability to process many transactions cheaply and speedily. These factors were considered pose increased PF risks to the sector. However, the sector is characterized by transactions of small amounts of money, with average transaction value around \$350, and maximum ceilings imposed is typically around \$2,000. – amounts which typically do not lend to financing WMD. The majority of the value of transactions were sent to Haiti, Jamaica and the United States of America. The Exchange Control regime limits transfers in foreign currency by Bahamians and residents.

⁵ *ibid*

⁶ A Credit Union (credit union) is a voluntary, member-owned, not-for-profit, financial cooperative that provide localised services for the benefit of its members who must be either a citizen or resident of The Bahamas.

The CBB is responsible for the licensing, regulation and supervision of Payment Service Providers operating in and from within The Bahamas, pursuant to legislation that includes the Payment Systems Act, 2012 and the Payment Instruments (Oversight) Regulations, 2017.

As at 31 December 2024, the sector consisted of five (5) non-bank Money Transmission Businesses (MTBs) and three (3) Payment Service Providers (PSPs). The number of related agents for MTBs and PSPs stood at 19 and 14, respectively.

The residual PF risks of PSPs are **Low**. PSP services include personal and business digital wallet payment services, including person to person and person to business transactions, also with low value transactions. All clients are identified; there is no such thing as an allowable anonymous Bahamian money transfer. PSPs are charged with the responsibility of overseeing their Agents for ML/TF compliance.

Conclusion:

MTB services are primarily provided to residents (including temporary or immigrant workers who use agency services to send money home) and tourists on a face-to-face basis. Most transactions are occasional and of low value. PSPs offer cash services; however, such services are limited to Bahamian dollar transactions with a lower risk profile of the customer database.

The residual PF risks of the payments sector namely; payment service providers and money transmissions businesses are both **Low**.

SECURITIES

The SCB regulates the securities sector in The Bahamas pursuant to the SIA, 2024. The SCB's supervisory framework requires all registrants and licensees to comply with CPF legislative framework set out in domestic legislation and the Financial Action Task Force (FATF) standards. There are 163 licensees under the Securities Industry Act, 2024.

The Bahamas' securities markets consist of both domestic and international sub-sectors. The domestic sector focuses on Bahamian clientele with mostly Bahamian denominated securities. Some domestic firms also provide their Bahamian clients with access to internationally traded securities.

The securities sector often operates across borders, with transactions involving multiple jurisdictions. This can create opportunities for proliferation financiers to obscure the origin and destination of funds. Proliferation financiers may use various techniques, such as layering transactions, using shell companies, and exploiting trade finance, to mask their activities within the securities sector. Some securities firms may have limited transparency regarding the beneficial ownership of accounts or the ultimate purpose of transactions, making it difficult to identify and prevent proliferation financing. Correspondent banking relations, particularly where financial institutions conduct business with foreign clients, may present potential avenues for exploitation by designated individuals and entities to evade sanctions and facilitate proliferation financing. This risk is actively mitigated through the Commission's supervisory examinations, which include testing for sanctions compliance, as well as registrants' mandatory reporting obligations under the UNSCR and IOEAMA framework. Cross-border trade finance, often used in the securities sector, can be exploited by proliferation financiers to move goods and commodities that can be used in weapons of mass destruction programs.

Contributing risk factors include:

- (i) The size of riskier firms;
- (ii) The client base of firms that include PEPs and international clients;
- (iii) The use of legal entities an arrangements; and
- (iv) The nature of delivery channels, products and services offered by firms.

The SCB mandates that all licensees and registrants implement AML/CFT/CPF internal controls, policies and procedures to address their ML/TF/PF risks in alignment with the applicable legislative instruments namely: Digital Assets and Registered Exchanges (AML/CFT/CPF) Rules, 2022 for DARE registrants, Financial and Corporate Service Providers (AML) Rules, 2020 for FCSPs, Securities Industry (AML/CFT) Rules, 2019 for capital markets and investment funds licensees and the Financial Intelligence (Transaction Reporting) Regulations, 2001 for all registrants and licensees. These controls must also be aligned with national legislative requirements and international standards, including FATF Recommendations.

In accordance with the foregoing legislation and regulations, licensees and registrants of SCB are expected to maintain comprehensive internal frameworks designed to identify, assess, manage, and mitigate PF risks, including the obligation to comply with United Nations Security Council Resolutions (UNSCRs) issued pursuant to section 3A of the International Obligations and Economic and Ancillary Measures Act (IOEAMA), Part IV of the Anti-Terrorism Act, 2018 and Regulation 8 of the Anti-Terrorism Regulations, 2019. Registrants must submit quarterly reports and make an annual declaration, signed by at least two directors or the compliance officer, certifying full compliance with all targeted financial sanctions as implemented through IOEAMA orders. The GFSR has released guidance on TFS forms.

The Commission implements a risk-based framework that ensures that its supervisory efforts address the risk of proliferation financing across all categories of its registrants and licensees. The Commission monitors compliance with these requirements through its ongoing AML/CFT/CPF examination work program used to conduct routine onsite examinations of its registrants and licensees. In fulfillment of its obligations, the Securities Commission, in co-ordination with other IRF Steering Committee members, disseminates UNSCR Notices to all licensees and registrants, who are required to comply within 24 hours of receipt in accordance with the GFSR Guidance on Targeted Financial Sanctions Forms. The Commission has prioritized the continuous training and professional development of its staff to ensure effective supervision of ML/TF/PF risks.

Conclusion

The residual PF risks of the securities sector in The Bahamas, is **Medium-Low** considering the number of cross-border clients, the use of corporate vehicles and legal arrangements, the amount of AUMs as well as the range and complexity of products and services offered by firms registered and operating in the sector. These factors are mitigated by the extent and quality of regulatory and practitioner controls engaged in the fight against financial crime.

INSURANCE COMPANIES & AGENTS

Foreign persons are not allowed to insure foreign risks via domestic insurers. At present, external insurers conduct captive and variable life insurance business.

The potential PF risks of most non-life insurance products is considered **Low** except for the property class which is considered **Medium-Low** based on the use of agents and the higher valued risks for commercial properties and vacation homes. Non-life insurance products have no cash value nor do these products have any investment features or components.

Conclusion

Most policyholders are considered **Low** risk. Most are Bahamian citizens and there are very few high-risk customers such as politically exposed persons. Most transactions are local. General insurance products have no cash value, nor do these products have any investment features or components and consequently the risk of using a general insurance product to proliferate WMD or finance terrorism is low.

VASPS

The enactment of the DARE Act, 2020 provides a formal and robust licensing regime for the sector. Customer due diligence, transaction monitoring and STR filings to the FIU are all monitored from both an offsite and an onsite perspective.

The public-private cooperation approach emphasized by the country ensures collaboration, communication and cooperation and regular engagement with other agencies, constituents and competent authorities promotes this environment. International cooperation, communication and coordination is also a key factor to success and exchange networks, regional regulatory forums, and international meetings address international risks and assists with joint international enforcement actions if required.

Conclusion

Most constituents in this sector pose a **Medium-High** PF risk due to the nature of the business, inherent anonymity and the ease of cross-border transactions. However, the unified risk-based framework employed by the SCB, the alignment with FATF standards, and the domestic and international collaboration enjoyed with competent authorities have worked in unison to result in a residual PF risk regarded as **Medium**.

REAL ESTATE BROKERS & DEVELOPERS

Real-estate brokers and land developers comprise the highest volume of transactions with respect to vendors and purchasers. Real estate is globally attracted to actors for potential misuse, As The Bahamas is one of the most sought after markets in the world for licit real estate transactions due to its natural beauty, political and financial stability. Luxury properties for sale are abundant, shared between 849 realtors and 128 registered real estate brokers and land developers. The CCB is the government regulator for DFNBP and BREA is the private self-regulating body for the sector.

The public-private cooperation approach emphasized by the country ensures collaboration, communication and cooperation and regular engagement with other agencies, constituents and competent authorities promotes this environment. International cooperation, communication and coordination is also a key factor to success. Exchange networks, regional regulatory forums, and international meetings address international risks and assists with joint enforcement actions if required.

Conclusion

Despite the high value of the transactions pertaining to this sector, the residual PF Risk is assessed as **Low** factoring in the AML/CFT/CPF controls, the monitoring tools (risk-based supervision and administrative penalty regime), the AML/CFT/CPF training, as well as the onsite and offsite regulatory programs.

DEALERS IN PRECIOUS METALS & STONES

The Sector is under AML/CFT/CPF obligations through the FTRA 2018 and the Codes of Practice to govern the Sector that were issued by the CCB in 2019. Dealers in this Sector are considered FIs for AML/CFT/CPF purposes if a transaction involves the trade, sale, exchange of precious stones or metals, and/or the lending of cash using precious metals or stones as security.

Precious metals and stones are the most vulnerable commodity for misuse. High value finished jewelry is also vulnerable for misuse, whereas low value jewelry presents significantly less risk. Loose stones are not sold widely in The Bahamas. Only finished jewelry is sold widely but The Bahamas is not known as an international center for jewelry transactions.

Conclusion

The 14 retailers (12 jewelry stores and 2 pawn shops) do not pose a significant risk for PF. Most customers in this sector transact low cash activity; and in most cases the purchaser is identified. 80% of the transactions are less than \$15,000.00. Any transactions over this amount subject the constituent to CDD obligations and AML/CFT/CPF risk-based examinations. These mitigants work together to realize a residual PF risk of **Low**.

ACCOUNTANTS & ACCOUNTANCY FIRMS

There are 41 accounting firms that perform audit services. There are approximately 560 members of BICA. However, only 2 accounting firms are registered with the CCB due to the vast majority of accountants not offering the services noted in Section 4 of the FTRA. The 2 registrants with the CCB do not offer the regulated services using a separate firm and are not involved in real estate transactions. The ML/TF/PF supervised services offered by registrants include the management of client funds or securities, management of bank savings or security accounts, the provision of RO or acting as a RA, or acting or arranging for another person to act as a nominee shareholder for another person and receive cash in the course of business for the purposes of deposit or investment. All of these services are attractive for bad actors intent on committing financial crime, including TF.

Conclusion

The 2 registrants are highly compliant with AML/CFT/CPF obligations according to the examination reports. In addition, staff training is ongoing and STR procedures are well implemented. Their customers reside mostly in The Bahamas, USA and Canada, are usually rated low risk and no PEPs are reported. There are no customers from high-risk countries. These mitigants work together to realize a residual PF risk of **Low**.

ATTORNEYS & LAW FIRMS

There are 159 law firms registered with the CCB. The sector consists of many sole practitioners, small and medium size firms, and several large firms. There are over 1300 legal professionals registered with the BBA. Services offered that are AML/CFT/CPF supervised are Client Funds (Holding) Accounts, Real Estate transactions, Company Formation and Management, Legal Person and Legal Arrangement Formation and Nominee Company Formation and Management. Due to the products and services offered to clients, which are pre-dominantly diverse non-resident, the profession's role in creating complex legal structures that can provide anonymity, large volumes of varied transactions and cross-border deposit activity, the inherent risk for this sector is **Medium-High**.

Conclusion

Most clients reside in The Bahamas, USA, UK, Europe, Asia and Canada, rather than in high-risk countries. More than 50% of the law firms registered with the CCB report that their revenue is derived from real estate transactions. Cash activity is minimal for this sector, according to a CBB survey, as well as the use of eligible introducers. Record keeping procedures are intact. The residual risk is **Medium-Low**.

GAMING HOUSES & CASINOS

The inherent PF risk is directly related to the level of cash activities, the volume and value of the transactions, and the nationality of the clientele for Casinos and GHs. Additionally, the use of agents and the online offering of games limit face-to-face interactions. Conversely, for GHs all transactions over \$3k are subject to enhanced KYC protocols.

. Enhanced financial crime (including PF) training must be ongoing for the staff of GHs and the level of human resources must be adequate.

Conclusion

Despite the inherent risk of both sub-sectors there are very strong controls to prevent Casinos and GHs from being owned, controlled, or operated by criminals. The GBB has statutory authority to supervise gaming licensees for compliance with AML/CFT/CPF obligations. The residual PF risk for Casinos is **Medium-Low** and for GHs is **Low**.

NON-PROFIT ORGANIZATIONS

Background

NPOs can be used as a front to obscure the true nature of transactions and obscure the source or destination of funds for proliferation activities. Illicit actors might channel funds through a series of NPOs to create a complex financial trail, making it difficult to trace the ultimate destination of the money used for WMD programs. Funds intended for humanitarian aid or other legitimate non-profit purposes can be diverted to support WMD development. The inherent PF risk is assessed as **Medium**.

Conclusion

Despite the inherent risk posed by the NPO sector, there are very strong controls to prevent NPOs from being owned, controlled, or operated by criminals. The Compliance Unit at the OAG monitors and engages with NPOs by conducting risk assessments, issuing targeted guidance and promoting best practices in governance and financial management. The residual PF risk for the NPO sector is **Medium-Low**.

SECTORAL PF RISK TABLE

SECTOR	INHERENT RISK	RESIDUAL RISK
Banking (International)	Medium-High	Medium-Low
Banking (Domestic)	Low	Low
Legal Persons & Arrangements	Medium-High	Medium-Low
Credit Unions	Low	Low
Money Transmission Businesses	Low	Low
Payment Service Providers	Low	Low
Securities (International)	Medium-High	Medium-Low
Securities (Domestic)	Low	Low
Insurance Companies (None-Life)	Low	Low
Insurance Companies (Life)	Low	Low
Virtual Asset Service Providers	Medium-High	Medium
Realtors/ Real Estate Companies	Medium-Low	Low
Dealers of Precious Metals & Stones	Low	Low
Accountants/ Accounting Firms	Low	Low
Attorneys / Law Firms	Medium-High	Medium-Low
Gaming Casinos	Medium	Medium-Low
Gaming Houses	Low	Low
Non-Profit Organizations	Medium	Medium-Low

Maintaining and Strengthening CPF Controls

1. PF activity usually manifests with PF networks exploiting global correspondent banking relationships. However, detecting sophisticated schemes and deceptive practices of PF networks is difficult, as demonstrated by many of the North Korea cases, including DHID, Mingzheng, and Zhicheng. These cases usually involved U.S. banks clearing

transactions for customers of foreign FIs. Types of transactions such as dollar clearing for trade finance may, lack the underlying transaction information, which adds an additional challenge for FIs, even after these transactions are subjected to scrutiny required by U.S. regulations.

2. Another challenge for FIs in detecting and mitigating PF activity is understanding how PF differs from other illicit financial activity such as money laundering or terrorist financing. For some, the segmenting of PF from other types of illicit financial activity may seem like a difference without distinction. However, it becomes very difficult to proactively detect PF activity if one does not know what to look for and is relying on methods primarily designed to catch other types of illicit activity, despite how similar that activity may be to PF. While a FI's obligations under the POCA, FTRA and ATA are the same regardless of the financial crime, a less nuanced understanding of PF also presents a corollary challenge for Bahamian law enforcement and other authorities, which may not receive as timely information regarding potential PF networks if FIs are reporting the activity as some other type of financial crime, even if that reporting is fully consistent with their regulatory obligations. Global PF threat actors still seek to exploit the vastness of the global financial system to achieve their ends. Given the fact that The Bahamas is regarded as an International Financial Centre it is inevitable that these activities will at times touch the country. While global correspondent banking is highlighted in this assessment as a principal vulnerability and driver of PF risk within The Bahamas, this has more to do with the significance of being an IFC and less with a lack of controls or focus within the country's financial industry.
3. All agencies in The Bahamas are committed to maintain and strengthen CPF controls by continuously reviewing their regulatory programs and oversight tasks with emphasis on the following measures:
 - a. Adhere to UNSCR Sanction Notices and scrub data bases nightly to ensure sanctioned persons are not resident in customer bases.
 - b. Take advantage of the counter-illicit finance regulatory framework that is already well-developed and exercise the robust regulatory and monitoring controls that are already well entrenched to mitigate the risks associated with this activity.
 - c. Exercise proactivity to reduce proliferation financing threats. All relevant law enforcement agencies, financial services supervisors and their constituents must maintain a multi-faceted approach. This includes constantly enhancing and improving customer due diligence, implementing more robust screening procedures, and strengthening export controls. Furthermore, international cooperation and information sharing are crucial in detecting and disrupting complex proliferation financing schemes.
 - d. Regulators must ensure that, via ongoing onsite examination programs, Financial Institutions / DNFBPs maintain and improve rigorous customer on boarding processes to identify and verify the identity of new clients, especially those with potential links to proliferation activities.
 - e. Regulators must ensure that via ongoing onsite examination programs, politically exposed persons (PEPs), and adverse media reports continue to be monitored to identify individuals or entities potentially involved in proliferation financing.
 - f. Regulators must have ongoing sustained review methods and systems of FIs and DNFBPs to improve the identification and verification of the beneficial owners of companies are reviewed and revised as necessary to prevent the use of shell companies to obscure the true source of funds.
 - g. Continue to explore the strengthening and enforcement of financial institutions screening trade transactions against harmonized system (HS) codes to identify shipments of dual-use items (materials with both civilian and military applications) that could be used in proliferation programs.
 - h. Implement end-user controls to ensure that items are delivered to legitimate end-users and not diverted for unauthorized purposes.
 - i. Monitor the transit and trans-shipment of goods to prevent the movement of sensitive materials through multiple jurisdictions to reach proliferators.
 - j. Continuous Adherence to the FATF Recommendations on combating proliferation financing to sustain a framework for national and international efforts.
 - k. Through the International Legal Corporation Unit at the Office of the Attorney General and through the Ministry of Foreign Affairs, The Bahamas must continue to communicate, coordinate and cooperate with other countries by sharing information on proliferation financing risks, as necessary.
 - l. Continue to maintain established secure platforms for information sharing among agencies like the police, the FIU and the supervisory authorities to facilitate the exchange of intelligence and best practices.
 - m. Continue adherence to targeted financial sanctions on individuals, entities, and countries involved in proliferation activities as a key tool for disrupting their access to financial resources. Sanctions must be effectively enforced to prevent sanctioned individuals and entities from accessing the global financial system.
 - n. Continue to update national risk assessments to identify vulnerabilities in the financial system and continue to prioritize efforts to mitigate risks. Engagement with the private sector raise awareness of proliferation financing risks and encourages them to implement appropriate risk mitigation measures.
4. Having implemented these activities, and continuing to tweak and amend them, The Bahamas significantly reduces the threat of proliferation financing and protects the international financial system from being used to support the development of weapons of mass destruction.

Conclusion

1. The financing of proliferation presents a key national security threat to The Bahamas' closest ally, the United States, and indeed to international peace and security. This assessment has demonstrated that the controls and mitigants in place in The Bahamas have done an excellent job in aggressively seeking out and combating potential PF activity and this also demonstrates that the risks considered remains manageable.
2. Over the review period our closest strategic ally, the United States, faced evolving efforts from PF networks associated with previously acknowledged states of proliferation concern. According to the US, two countries in particular, Russia and the DPRK, presented a significantly higher threat. Russia's ongoing illegal war in Ukraine has accelerated that country's illicit procurement, including components produced in the United States. The DPRK has leveraged its significant malicious cyber activity capabilities and its deployment of fraudulent IT workers to raise revenue.
3. Some vulnerabilities persist in the U.S., based on the last two PFNRAs conducted by that country including the size of the U.S. financial system, the centrality of the U.S. dollar in global trade, and the role of U.S. manufacturers in the production of military and proliferation-related technology (including dual-use items).

The Bahamas will follow the same path to mitigate PF that was developed for its AML/CFT/CFP National Strategy which is to continuously review and enhance, as necessary, the jurisdiction's identified risks legal framework, risk-based supervisory framework for financial and non-financial service providers, strengthen sanctions, as appropriate, work to improving intelligence and enforcement where necessary, and raise CPF awareness amongst all stakeholders and the general public.

4. The Bahamas has strengthened all areas of its supervisory methodologies and will continue to do so, through increased training to lessen contagion risk and exploring avenues to improve its CPF regime. Given the devastating consequences to international peace and security that would arise from the use of a WMD, The Bahamas is determined to keep potential penetration of FIs and DNFBPs from facilitating financing for the proliferation of WMD.