



**GUIDE TO THE
ON-SITE EXAMINATION PROCESS FOR THE
CENTRAL BANK OF THE BAHAMAS**

BANK SUPERVISION DEPARTMENT

**SUPERVISORY AND REGULATORY GUIDELINES: 2026
ONSITE EXAMINATION PROCESS**

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INTRODUCTION

1. The Central Bank of The Bahamas (“the Central Bank”) is responsible for the licensing, regulation and supervision of Supervised Financial Institutions (“SFIs”) operating in and from within The Bahamas pursuant to the Central Bank of The Bahamas Act, 2020 (“CBA”), the Banks and Trust Companies Regulation Act, 2020 (“BTCRA”), The Bahamas Co-operative Credit Unions Act, 2015, the Payments Instruments (Oversight) Regulations, 2017 and the Bahamian Dollar Digital Currency Regulations, 2021. Additionally, the Central Bank has the duty, in collaboration with financial institutions, to promote and maintain high standards of conduct and management in the provision of banking and trust services.
2. All SFIs are required to adhere to the Central Bank’s licensing and prudential requirements, ongoing supervisory programmes, and regulatory reporting requirements, and are subject to periodic on-site examinations. SFIs are also expected to conduct their operations in conformity with all other Bahamian legal requirements.

PURPOSE

3. Pursuant to the First Schedule of the Banks and Trust Companies Regulation Act, 2020, the inspection and supervision of bank and trust companies form part of the core duties of the Inspector of Banks and Trust Companies (“the Inspector”). Accordingly, through the Inspector’s delegated authority, the Central Bank’s regulatory oversight process emphasizes an ongoing supervisory approach, involving both off-site surveillance and onsite-examinations. The identification of excessive risk exposure and implementation of actions to remediate and reduce those risks is a primary goal of the risk-based supervision framework. Risk-based examinations permit Examiner judgement in determining the scope and depth of work to be performed for each activity or function of a specific SFI. The objective of this Guide is to promote awareness and enhance the transparency of the examination process for SFIs and other interested parties and should be read in conjunction with the Central Bank’s:
 - a) [Risk-Based Supervision Framework](#);
 - b) [Protocol for Joint On-Site Examinations](#);
 - c) [Guide to the Central Bank’s Ladder of Supervisory Intervention](#);
 - d) [Guide to AML/CFT/CPF Ladder of Supervisory Intervention](#); and the
 - e) [General Glossary of Terms](#).

APPLICABILITY

4. These Guidelines apply to all SFIs.

ABBREVIATIONS AND DEFINITIONS

5. For the purpose of these Guidelines:

“**AML**” means anti-money laundering;

“**BSD**” means the Bank Supervision Department;

“**CE**” means Chief Examiner within the Bank Supervision Department;

“**CPF**” means countering proliferation financing;

“**CFT**” means countering the financing of terrorism.

“**Jointly Regulated SFI**” means SFIs regulated by both the Central Bank and the Securities Commission of The Bahamas; and

“**SFI or supervised financial institution**” means any licensed bank, trust company, cooperative credit union, registered representative, non-bank money transmission business, money transmission agents, or electronic money service provider operating in and from within The Bahamas.

THE EXAMINATION CYCLE

6. In tandem with the ongoing desktop supervision of prudential and ML/TF/PF risks, the Central Bank deploys an annual risk-based examination cycle that is triggered by the risk assessment process as well as any other supervisory matters falling outside of the risk assessment process. In the event no examinations are otherwise triggered, the Central Bank has established fixed cycles to ensure that all SFIs, particularly those that are assessed as medium low to low risk, are subject to an onsite visit at least once in a five-year cycle. Within twelve months of issuing a new license, an initial onsite examination is conducted to ensure that the appropriate board oversight and sound risk management frameworks including policies and procedures for key risk areas are established.

TYPES OF EXAMINATION

7. The Central Bank’s approach to supervision is risk-based, proportionate, forward-looking, and action-oriented. As such, supervisory resources are directed at SFIs and their activities that pose greater risk and impact to the Bahamian financial system. The types of examinations are determined as a result of annual planning of the examination program, risk assessments and other ongoing supervisory activities, as well as pre-examination analysis. Examinations are conducted within a predefined scope and timeframe; they can be targeted toward one specific risk area, a discrete number of risk areas, or encompass a full safety and soundness review.

8. While planned examinations are part of the Central Bank's risk-based supervisory program, examinations without prior notification to the SFI may be required to address situations that give the Central Bank cause for concern and which require immediate supervisory action.

Full-Scope Examination

9. A full-scope (comprehensive) examination provides an end to end assessment of an SFI's safety and soundness by evaluating whether the institution: 1) maintains effective policies, processes and procedures to ensure compliance with applicable laws, regulations, supervisory guidelines, guidance notes and sound industry practices; 2) has robust corporate governance, risk management and internal control frameworks to identify, measure, monitor and control risks arising from its business activities and operations; and 3) is supported by management and staff with appropriate experience, competence, and resources to operate in a safe, sound and compliant manner. Full scope examinations assess all material risk areas across an SFI's operations.

Limited Scope Examination

10. A limited scope examination is a targeted review that evaluates selected components of a SFI's operations, risk management or compliance framework based on identified risks, supervisory concerns, emerging themes or follow-up of previously identified deficiencies. Such examinations typically focus on a specific functional area or a limited number of risk areas where elevated risk has been identified and may include follow-up examinations to assess material changes since the previous examination, as well as reviews of newly licensed SFIs, to confirm ongoing alignment with approved business plan and licensing or registration conditions.

Thematic Examination

11. A thematic review is an assessment that focuses on a single risk area, significant activity or regulatory topic across multiple SFIs rather than conducting a full review of any one SFI. It is typically used to determine how well SFIs are managing a specific risk or activity that is considered important, emerging or systematically important. An example of a thematic review would be conducting an examination to determine the "Effectiveness of AML/CFT/CPF Risk Assessments and Customer Risk Rating Frameworks" across all pure trust companies operating in the jurisdiction.

Examinations of Jointly Regulated SFIs

12. To better coordinate supervisory efforts and minimize overlaps in regulatory practices, the Central Bank and the Securities Commission of The Bahamas (“Securities Commission”) have agreed and signed a [Protocol for Onsite Examination of Jointly Regulated Institutions](#) (“the Protocol”) for the coordination of joint examinations of Jointly Regulated SFIs. The key objectives of the Protocol are to streamline the examination activities by coordinating:
1. The planning, timing and scope of examinations of these institutions;
 2. The reporting of examination findings and required remedial action (e.g., directives, requirements and expectations); and
 3. Follow-up and enforcement actions including penalties, if any.
13. As the primary regulator of banks and trust companies, the Central Bank will take the lead in coordinating the conduct of the joint on-site examinations, in accordance with the Protocol. The overall coordination and oversight of the Protocol is the responsibility of the Joint Examinations Committee (JEC), comprising senior staff responsible for the planning and scheduling of on-site examinations within each Regulatory Agency.

Special Focus Examinations

14. A special focus examination is a targeted supervisory review conducted by the Central Bank to assess a specific event, emerging risk, incident, or area of concern that warrants immediate or deeper attention beyond routine supervisory work. It is more urgent, focused, and investigative in nature than a limited scope review. Where the Central Bank or the Securities Commission identifies supervisory concerns regarding a jointly regulated SFI and determines that a Special Focus Examination is warranted, the examination may be conducted either jointly or independently by the respective regulatory agencies. When a joint Special Focus Examination is proposed, the initiating regulatory agency, must ensure that it has obtained the relevant internal approvals as outlined in the Protocol.

Consolidated Supervision – Foreign Supervisory Authorities

15. In accordance with Section 32 of the BTCRA, 2020, a foreign supervisory authority, which is responsible for regulating a bank or trust company with a branch or subsidiary incorporated inside The Bahamas, may upon written notification to and approval by the Inspector, conduct an inspection, under conditions of confidentiality, and subject to the conditions set out in the Act. Examiners typically will accompany officers or agents of the foreign supervisory authority during these examinations.

EXAMINATION PROCESS¹

On-site examinations versus off-site surveillance

¹ Refer to the [On-site Examination Work Flow Chart](#) which highlights key aspects of the examination process.

16. The collection of information, monitoring and analysis entailed in the supervision of SFIs does not always require an on-site presence, since Examiners can frequently review and evaluate specific reports submitted to the Central Bank. On-site examinations and off-site surveillance are complementary supervisory activities used to review and assess the safety and soundness of banks, evaluate material risks and require corrective action(s) where necessary. Off-site surveillance is conducted by the BSD Analyst (“the Analyst”) who maintains ongoing supervision of assigned SFIs through formal and informal engagement, monitoring their financial condition and performance, and advising the Inspector of matters that may impact the operation of the SFI.
17. On-site examinations enable the Examiner to, inter alia:
- Test and reach conclusions about the reliability of systems, controls and reports used so that Examiners may reasonably rely on the information provided for off-site monitoring and analysis;
 - Examine changes or anomalies disclosed by off-site surveillance and analysis; and
 - Evaluate aspects of operations for which off-site surveillance of systems and controls are insufficient.
18. Examiners make every effort to conduct as many pre-examination procedures as reasonably possible off-site, in order to minimize disruptions to the SFI’s normal business activities. Additionally, the examination planning process is mindful of the SFI’s space and staff complement when deciding the size of the examination team.
19. The process for conducting an onsite examination involves three key areas which includes: 1) **Pre-Examination Planning**, 2) **Onsite Examination Procedures**, and 3) **Preparation and Issuance of the Report of Examination**.

1. Pre-examination Planning

20. A Lead Examiner is appointed for each onsite examination, and is responsible for the effective management and execution of the examination. This includes preparation of the Scope Document (the document is explained below), the timely completion of the examination, and ensuring the Report of Examination (“RoE”) accurately reflects the examination findings and required remedial actions.

Depending upon the size and complexity of the examination, the Lead Examiner may conduct a pre-examination meeting with the SFI’s senior management to support examination planning and fact-finding purposes. Prior to the commencement of an examination, the following documents must be completed:

(a) Onsite Examination Notification Letter

21. The Notification Letter addressed to the Senior Official I of a SFI, outlines the general scope of the examination, identifies the Lead Examiner and the commencement date of the planned examination. It also specifies the documents to be submitted to the Central Bank both in advance and at the start of the examination. The Notification Letter is generally sent to SFIs at least six - eight weeks prior to the start of the examination.

(b) Desk Top Review

22. The Lead Examiner is responsible for the preparation of a pre-examination analysis and any proposed changes to the scope of the examination based on the review of the following information sources:
- Prior RoEs and work papers;
 - Information resident in BSD records, including audited financial statements, SFI quarterly reports, Corporate Governance Certifications and other pertinent information; and
 - The pre-examination information required of the SFI as detailed in the Notification/Scope Letter.
23. Additional factors evaluated by the Lead Examiner when determining any changes to the scope of an examination include:
- A SFI's risk profile;
 - The responses received from the SFI to the recommendations of prior RoE(s);
 - Significant changes in the SFI's organisational structure, systems, products/services and regulatory requirements; and
 - Reliance on independent testing performed by the SFI's external and internal auditors.
24. The Desk Top Review provides a Lead Examiner with the information necessary to further define the scope of examination and allow for BSD management to determine whether the level of staffing and the timeframe to complete the examination objectives is appropriate.

(c) Examination Scope and Work Assignment

25. To achieve the objectives of the examination efficiently, the Lead Examiner prepares an internal Examination Scope and Work Assignment document, which includes the scope and objectives of the examination, as well as team members' work assignments.
26. As part of the review, the Central Bank may require access to the SFI's premises, system and records. The Lead Examiner may also request the use of a 'physical

place², where appropriate, to be made available to the team, along with the necessary access to information technology (IT) systems to facilitate the efficient conduct of the examination.

2. On-Site Examination Procedures

(a) Opening Meeting

27. On the first day of the on-site examination, or as soon thereafter as practicable, the examination team will hold an “Opening Meeting” with the SFI’s senior management. This meeting provides an opportunity to introduce the examination team and confirm the examination scope and timeframes and discuss assignments. At this point in time, the Lead Examiner may request a general presentation on the SFI’s organisational structure, business model, strategy and governance framework, and key processes relevant to the examination. The Opening Meeting also allows the SFIs’ management to raise any questions or issues associated with the examination. Timely responses to Examiners’ requests will facilitate the efficient conduct of the examination process.

(b) Amendment of Examination Scope

28. A Lead Examiner may consider, during the course of an examination, that certain aspects and activities of a SFI require review that is broader and more detailed. This may impact the scope previously identified.

The following are examples that may warrant a modification in the scope of an examination:

- The Examiners’ assessment of corporate governance, risk management, internal controls and independent testing has revealed significant weaknesses in the function or activity under review;
- The SFI has instituted significant changes in policies, procedures or controls that have not been independently tested or are not addressed in the examination programs;
- The SFI has discontinued specific activities and processes and the examination objectives are therefore no longer applicable; and
- The Examiner has identified concerns in the conduct of testing procedures that warrant further expansion of scope and testing.

(c) Testing

29. While the examination template outlines the minimum work programme and procedures to be performed, Examiners retain professional discretion to select and test such attributes as they consider necessary to appropriately and adequately

² A reference to on-site examination includes ‘on premises’, ‘virtual’ or ‘hybrid’ examinations.

assess the corporate governance, risk management, internal controls or other relevant risk and control areas of the operation, having regard to the nature, scale, complexity and risk profile of the SFI.

30. Examiners may place reliance on the work performed by a SFI's external and internal auditors, when it is reasonable to do so. The extent of reliance is determined by the Examiner's professional judgement and is informed by an assessment of the auditor's competence and independence, the scope and quality of audit work performed, the time of the audits and the overall effectiveness of the SFI's system of internal controls. Examiners will consider these factors in determining the level of testing to be conducted.

(d) Examination Findings

31. Examination findings are matters that, in the Lead Examiner's judgement, require remediation or improvement to ensure the SFI operates in accordance with the following parameters:
 - Those required by Bahamian laws and regulations;
 - Those required or expected in accordance with Central Bank Guidelines;
 - Those that may have an adverse impact on the safety and soundness of the SFI's operations, or the reputation of the jurisdiction; and
 - Those that fall below "best practice" standards.
32. Should the Lead Examiner determine that all or some of the issues require immediate reporting to the Central Bank, this would be communicated as a '**Directive**'. As a general rule, when communicating the conclusions of the examination, the Lead Examiner will use the Central Bank's [General Glossary of Terms](#), to assist SFIs with the interpretation of its supervisory communications. Furthermore, dialogue with the SFI with respect to addressing the issues may commence almost immediately and could include a request for an urgent meeting with members of the board of directors and senior management.

(e) Exit (or "Heads Up") Meeting

33. Throughout the examination process, the Examiners are expected to communicate with the SFI's management and staff, in order to facilitate the flow of information, and ensure an accurate understanding of the key risks, processes and controls, as well as the factual basis for examination findings.
34. Examiners will normally hold an Exit or "Heads Up" meeting with senior management to communicate summary results of the examination and to discuss any preliminary facts and findings. This is in keeping with the Central Bank's policy of "no surprises" and that the examination should be a "supportive and constructive exercise".

(f) Closing Meeting

35. The Lead Examiner is responsible for organising and coordinating a “Closing Meeting” with the SFI’s senior management during the week subsequent to the Exit Meeting. The objective is to provide a written report of the examination findings to the SFI’s stakeholders to ensure that the findings are factually correct. The Closing Meeting should result in agreement by all parties on the factual basis of the examination findings. Following the Closing Meeting, the Lead Examiner will then prepare a draft RoE for the Examination Team’s review. The final RoE should only contain findings discussed at the Closing Meeting.

3. Preparation and Issuance of the Report of Examination

(a) Format of the Report of Examination

36. The RoE will contain the following broad elements:
1. **Objectives:** an outline of the broad purpose and scope of the examination;
 2. **Findings:** a concise description of the issues revealed during the course of the examination. Reporting is risk-based and in line with the risk-based approach to examinations, with major issues taking priority and minor ones being discussed and agreed verbally. Minor issues are noted in Examiner’s working paper files and may be followed up during successive examinations to ensure that appropriate actions have been taken, which would eliminate the need for further reporting. The RoE will normally contain only the information needed to explain the issue.
 3. **Impact Statement and Remedial Action:** each finding will be accompanied by an assessment of its actual or potential impact and a corresponding remedial action outlining the corrective measure required or expected. The remedial action may take the form of a **directive, requirement, expectation or request**, accompanied with imposed deadlines.

(b) Preparation of a Draft Report of Examination

37. The Lead Examiner is responsible for preparing the draft RoE. The draft RoE is first reviewed by the Examination Team and once agreed, is submitted to the Chief Examiner for review and discussion of any required amendments with the Lead Examiner. The revised draft is then submitted to the Peer Review Panel, an internal Central Bank Committee comprising the Inspectorate, Lead Supervisors, Authorization, Policy and Examiners, for challenge and consistency review prior to issuance to the SFI. The final RoE should generally be issued to the SFI within 30 business days following the closing meeting with the SFI.

38. In the case of Jointly Regulated SFIs, the Central Bank and Securities Commission will prepare their respective sections of the draft RoE, which will be reviewed following the respective agency's internal protocol.

(c) Issuance and Follow-up to the Report of Examination

39. The final RoE will be issued under a letter signed by the Central Bank and directed to the SFI's Senior Official I, with instructions to forward copies of the final RoE to all members of the SFI's Board of Directors. The letter will advise that a written response is required to be submitted by the SFI to the Central Bank by a specified date, detailing the actions taken by the SFI in addressing the RoE remedial actions. This correspondence will be continued until all the remedial actions have been addressed to the satisfaction of the Central Bank. A key objective of any subsequent onsite examination is to assess whether the SFI has satisfactorily implemented the agreed remedial actions arising from the previous examination.
40. In the case of Jointly Regulated SFIs, each SFI will be required to reply to the respective Regulatory Agency's RoE separately and each will see the process to completion. The JEC will consider significant issues that may arise from the follow-up exchange of correspondence in this process.

(d) Enforcement Action

41. Should a SFI fail to address significant issues raised in the RoE, the Central Bank will have recourse to supervisory intervention in accordance with the [Guide to the Central Bank's Ladder of Supervisory Intervention](#) and the *Guide to AML/CFT/CPF Ladder of Supervisory Intervention*. Such supervisory intervention will be communicated to the SFI in writing. In the case of Jointly Regulated SFI's, enforcement action will be taken by the respective Regulatory Agency that has primary responsibility for the issue that caused the concern.

RATING SYSTEM

42. The Central Bank discloses the Risk Control (Assessed Controls) Ratings in examination reports to enhance transparency and promote the comprehensive and consistent evaluation of SFIs.
43. The overall rating in the RoE represents the Peer Review Panel's supervisory assessment, based on the examination work and analysis performed by the Examination Team. It provides a high-level assessment of the SFI's governance, risk management and control processes at a point in time. The Risk Control Ratings, as set out in **Annex 1**, are classified as follows: *Strong, Satisfactory, Needs Improvement, Unsatisfactory (Deficient) and Critically Deficient*.

DISCLOSURE OF INFORMATION

- 44.** The RoE is confidential and remains the property of the Central Bank. While a copy is provided to the SFI and its board of directors, disclosure is restricted. In accordance with Section 34(1) of the BTCRA, 2020 the SFI may provide access to the RoE to its external auditors and other persons specified therein; any disclosure to other third parties require the prior written approval of the Inspector.

- 45.** Additionally, pursuant to Section 43 of the Central Bank of The Bahamas Act, 2020 confidentiality obligations apply to all directors, officers, employees, agents or advisers of the Central Bank. This includes persons authorized by the Central Bank and any person authorised by the Central Bank to participate in examinations, including external consultants, auditors or experts. Such persons, and their staff, are required to execute confidentiality agreements, and are bound to protect facts, actions and non-public information that the examination team members become aware of or obtain during the examination.

ANNEX 1 – RISK CONTROL RATINGS FOR EXAMINATIONS

Strong – The Examination results indicate that the design and effectiveness of the internal control environment to manage and mitigate those risks to which the SFI is exposed consistently demonstrate high performance that exceed generally accepted industry standards. The internal control environment exhibits performance and risk management practices that are more robust than the norm relative to the institution's size and complexity, and gives no cause for supervisory concern.

Satisfactory – The Examination results indicate that the design and effectiveness of the internal control environment to manage and mitigate those risks to which the SFI is exposed consistently demonstrate effective performance and meets generally accepted industry standards. The internal control environment exhibits performance and risk management practices that are adequate relative to the institution's size and complexity and gives no material supervisory concerns.

Needs Improvement – The Examination results indicate that while some reliance can be placed on the design and effectiveness of the internal control environment to manage and mitigate those risks to which the SFI is exposed, there are some areas where improvements are needed. The internal control environment exhibits performance and risk management practices that in certain instances are less than satisfactory relative to the institution's size and complexity and may require more than normal supervision.

Unsatisfactory/ (Deficient) – The Examination results indicate that very little reliance can be placed on the design and effectiveness of the internal control environment to manage or mitigate those risks to which the SFI is exposed. The internal control environment demonstrates instances where effectiveness must be improved through immediate action; characteristics and performance do not meet generally accepted industry standards. The internal control environment has risk management practices that are generally unacceptable relative to the institution's size and complexity and will require formal enforcement action.

Critically Deficient – The Examination results indicate that no reliance can be placed on the design and effectiveness of the internal control environment to manage or mitigate those risks to which the SFI is exposed. Effectiveness must be improved through immediate action; characteristics and performance do not meet generally accepted industry standards. The internal control environment and risk management practices are inadequate relative to the institution's size and complexity and require the greatest of supervisory concern. Ongoing supervisory attention is necessary.