



**GUIDANCE NOTES ON THE TREATMENT OF  
POLITICALLY EXPOSED PERSONS**

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## INTRODUCTION

1. The [Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering, Countering the Financing of Terrorism and Proliferation Financing \(AML/CFT Guidelines\)](#) outline the responsible procedures that are appropriate to the size, nature, and complexity of an SFI to prevent money laundering, terrorist financing, and proliferation financing. It is critically important that an SFI, through its board of directors and executive management, establish policies that support their efforts to integrate the prevention of money laundering, terrorist financing, and proliferation financing as part of their enterprise risk management strategy.
2. The Central Bank of The Bahamas (the Central Bank) requires all Supervised Financial Institutions (SFIs) to adopt a risk-based approach for all of its business relationships and transactions. The risk-based approach supports an SFIs measures to identify and appropriately apply enhanced due diligence (EDD) measures when assessing risk associated with Politically Exposed Persons (PEPs), their family members and close associates.
3. The Financial Transactions Reporting Act (FTRA), 2018 defines a PEP as an individual entrusted with a prominent public function, whether domestic or foreign, or holding a senior position at an international organization or one of its branches. Categories of PEPs, as drawn from the definitions within the Financial Action Task Force (FATF) recommendations, include:
  - **Domestic PEPs;**
  - **Foreign PEPs;**
  - **International Organization PEPs,**and their respective **family members** and **close associates**<sup>1</sup>.
4. International standards set by the FATF acknowledge the inherent risks associated with PEPs. These individuals, due to their prominent public function, may misuse their power and influence for personal gain or advantage through the conduct of bribery, corruption, or other illicit activities that heighten the risk of money laundering occurring within the financial system. The close relationships between PEPs and their family members or close associates can also create opportunities for their involvement in illicit activities.
5. To mitigate these risks, SFIs must closely monitor these individuals. SFIs should assess the risk posed by PEPs regardless of whether they are domestic or foreign. By employing a risk-based approach SFIs should apply commensurate due diligence standards. Accordingly, SFIs should be mindful that the majority of PEPs are neither in a position to, nor do, abuse their power and influence through illicit activity and that their categorisation as a PEP should be risk assessed on key factors discussed within this guidance that determine the level of due diligence and monitoring to be required.

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<sup>1</sup> Central Bank of The Bahamas - AML/CFT/CPF Guidelines (May 2026), [Section IV – Enhanced Due Diligence - C. Politically Exposed Persons \(PEPs\)](#), para. 177

## PURPOSE

6. The purpose of these guidance notes expands upon the principles, standards, and requirements outlined within the Central Bank's AML/CFT/CPF Guidelines with respect to identifying, (de)classifying, assessing, and monitoring PEPs. It also provides tailored guidance for dealing with domestic PEPs.
7. This guidance note provides practical considerations for SFIs to assess the risk for varying categories of PEPs and outline considerations to be taken by SFIs as found within the FTRA, 2018 and endorsed by international standard setting bodies such as the FATF and the Wolfsberg Group<sup>2</sup>. This guidance also provides practical steps for employing a risk-based approach when conducting enhanced due diligence on PEPs.

## APPLICABILITY

8. This guide applies to all licensed and registered SFIs.

This guidance note should be read in conjunction with the following Guidelines which include, but are not limited to:

- i. Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering, Countering the Financing of Terrorism & Proliferation Financing (2026); and
- ii. [Guidance Notes for Sanctions Screening](#) (2025)

## RISK-BASED APPROACH TO PEPS

9. To effectively employ an RBA, FATF Recommendation 12 states that while PEPs transactions are subject to additional monitoring and oversight, an SFIs risk assessment policy should consider the following:
  - Section 41 (a) of the Financial Transactions Reporting Act (FTRA) 2018 mandates all financial institutions to have appropriate risk management systems in place. These systems must determine whether a facility holder or beneficial owner is politically exposed. Additionally, senior management approval is required before initiating or continuing a business relationship with a PEP.
  - The treatment of PEPs does not pose equal risk; therefore, it is important for SFIs to have a robust risk-based approach to assessing ongoing risk of PEPs.
  - A risk-based approach does not eliminate clear expectations for SFIs. It provides them with flexibility in implementing policies and procedures that align with their specific risk assessments.

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<sup>2</sup> Wolfsberg Group Publication Statement, (May 2017) [Guidance on Politically Exposed Persons \(PEPs\)](#)

- SFIs must take reasonable measures to identify the source of wealth and source of funds for both the facility holder and beneficial owner. Further, they are obligated to conduct enhanced ongoing monitoring of all PEP business relationships.
- SFIs encounter PEPs in various risk categories from low risk to high risk. To ensure proper mitigation strategies are employed, a risk-based approach to due diligence is recommended. Therefore, due diligence requirements should clearly outline key differences between conducting business with low and high-risk PEPs.
- The level of risk associated with an individual PEP can vary significantly taking into account factors such as the function of the PEP, level of influence, and length of time in office. It is crucial to avoid a blanket approach that treats all PEPs as posing the same level of corruption risk.

### **RISK RATING PEPs**

10. A key part to assessing the risk associated with onboarding or maintaining a relationship with a PEP is determining whether their current or previously politically connected role has a material probability of increasing an SFIs exposure to money laundering, terrorist and proliferation financing.
11. **Foreign PEPs**, their family members or close associates are always deemed to be posing a high risk. As such, an SFI should apply an appropriate level of enhanced due diligence within its RBA to adequately assess their risk exposure.
12. **Domestic PEPs**, their family members or close associates **may** pose a high a risk to an SFI if, based on an SFIs risk assessment, it has been determined that there is a heightened probability for money laundering, terrorist and proliferation financing. The risk assessment should consider the following factors:
  - **Terms of the Business Relationship** – product or business relationship established to facilitate activity connected with an underlying professional or routine commercial activity. For example, the purchase of insurance, financial guarantees or other products which serve as a precondition to receive some other product or service.
  - **Type of Product or Business Being Sought:** The product or business relationship may be assessed by the financial institution as being low risk. For example, a deposit facility to receive the proceeds of verifiable income from verifiable sources directly relate to their appointed or elected position. Persons identified as PEPs, by virtue of their relationship, may also be able to be treated as low-risk if funding sources for such persons are verifiable and traceable to low-risk sources, such as employment and publicly available investments.
  - **Nature of the Public Function:** A domestic PEP may pose a lower risk if neither they nor the persons from whom they are associated as PEPs are assessed to be in a material position of influence financial decisions connected

with position of trust (for example the award of public contract, employment, license, etc).

13. **International Organization PEPs**, and their family and close associates, include individuals who have been entrusted with a prominent function by international organizations such as the International Monetary Fund (IMF), United Nations (UN), Organization of American State (OAS), Inter-American Development Bank (IDB) and other international and regional style bodies (i.e., directors, deputy directors, and members of the board or equivalent functions). These individuals **may** pose high a risk to an SFI if, based on an SFIs risk assessment, it has been determined that there is a heightened probability for money laundering, terrorist and proliferation financing.
14. Risk-based assessments should be proportional when considering the rating of PEPs as either low, intermediate or high-risk. Accordingly, risk rating any PEP will require a streamlined approach in determining the appropriate level of due diligence necessary to continuously monitor the relationship.
15. When considering the risk posed to an SFI by **Domestic PEPs, International Organization PEPs**, their family and close associates, an SFI must consider the individual's seniority, level of influence, access to or control of public funds, and their personal source of funds via wealth, income, or financial flows as part of their risk assessment. The ongoing assessment of such risk factors should correspond with the PEPs' capacity, willingness, and proven demonstration to adhere to the terms of the relationship with the SFI to facilitate any ordinary personal or commercial transactions. The risk assessment should be sufficiently robust to determine whether risk arising from these activities and other occasional transactions pose a higher-than-normal risk associated with their classification as a PEP. Further, the risk assessment of these categories of PEPs as a '*lower risk*' relationship should trigger appropriate reviews that allow an SFI to determine whether there has been a material change to the PEPs status and the terms in which they would ordinarily transact with an SFI. A robust assessment of these categories of lower risk PEPs should not be unreasonably onerous but should satisfy the SFIs risk-based assessment as to whether the individual has a heightened probability to conduct money laundering, terrorist and proliferation financing.

### Low-Risk Rated PEPs

16. For low-risk domestic PEPs, the evaluation should cover both verification of identity and source of wealth. Lower risk can be assessed by considering:

INDICATOR	DESCRIPTION
<ul style="list-style-type: none"> <li>• <b>EASILY VERIFIABLE IDENTITY</b></li> </ul>	<p>The identity of the PEP, their family members, and close associates can be readily confirmed through reliable sources. This includes verifying basic information like full legal name, aliases, date of birth,</p>

	nationality, and the authenticity of government-issued identification.
• <b>LOW-RISK PRODUCTS AND SERVICES</b>	The PEP seeks financial products or services classified as low risk for criminal exploitation. The SFI should base this assessment on the verified originating source, and where applicable the terminal use of the funds.
• <b>LIMITED DECISION-MAKING POWER</b>	The PEP holds a public position without significant executive decision-making authority or influence.
• <b>LOW-RISK COUNTRY OF ORIGIN</b>	The PEP's country of origin is known for minimal corruption and criminal activity. <sup>3</sup>
• <b>TRANSPARENT BUSINESS RELATIONSHIP</b>	The nature and purpose of the proposed business relationship are easily understood.
• <b>VERIFIABLE SOURCE OF WEALTH</b>	The PEP's source of funds or wealth is readily verifiable and aligns with the requested products or services. For example, salaried income or earnings on wealth verifiable sources of wealth.

17. Family members or close associates of a low-risk domestic PEP themselves pose a lower risk and can be treated as such unless a review of any of the above indicators triggers suspicion of the activity requiring the need for additional review. Nevertheless, the obligation is on SFIs to effectively monitor transactions through the accounts.

For lower risk PEPs, enhanced due diligence procedures may include:

- **Additional Information:** Verification of the non-suspicious nature of transactions through supplementary data from reliable, independent sources.
  - **Source of Funds Checks:** Confirm funds are not linked to suspicious activity.
  - **Purpose of Relationship:** Understand the nature and purpose of the business relationship.
  - **Beneficial Ownership:** Identification and verification of the ultimate beneficial owner of the proceeds of transactions, including control structures.
  - **Ongoing Monitoring:** Monitor transactions for unusual activity or behavioural changes.
18. SFIs conducting enhanced due diligence must comply with the AML/CFT/CPF Guidelines on Enhanced Due Diligence (EDD) and apply a risk-based approach that includes PEP risk assessment. EDD measures require SFIs to: (1) gather additional customer information; (2) verify and validate PEP data using databases, public records, and third-party sources; (3) conduct ongoing monitoring to update the PEP

<sup>3</sup> Transparency International is a nongovernmental organization that focuses on combating corruption and promoting transparency in both public and private sectors globally. One of its notable initiatives is the Corruption Perceptions Index (CPI). This annual index assesses and ranks countries based on perceived levels of corruption in the public sector. It serves as a valuable tool to raise awareness and stimulate anti-corruption efforts worldwide.

risk profile; and (4) maintain comprehensive documentation to support regulatory examinations and internal reviews.

### High-Risk Rated PEPs

19. High-risk rated foreign and domestic PEPs require a more rigorous and vigilant approach compared to their low-risk counterparts. While an SFIs risk assessment would determine that a foreign PEP be assessed as posing a high-risk, the consideration for a high-risk domestic PEP would also require confirmation on the following indicators:

INDICATOR	DESCRIPTION
<ul style="list-style-type: none"> <li><b>WEALTH EARNINGS FROM GOVERNMENT CONNECTIONS</b></li> </ul>	The assessed potential for significant wealth or financial flows derived from government licenses, monopolies, preferential access to privatized assets, or contracts in sectors with limited competition.
<ul style="list-style-type: none"> <li><b>INCONSISTENT FINANCIAL FLOWS OR WEALTH</b></li> </ul>	Incongruence between verifiable sources of wealth versus observed financial flows.
<ul style="list-style-type: none"> <li><b>ALLEGATIONS OF MISCONDUCT</b></li> </ul>	Accusations of financial crimes or misconduct may suggest a higher likelihood of involvement in corrupt activities.
<ul style="list-style-type: none"> <li><b>QUESTIONABLE APPOINTMENTS</b></li> </ul>	Appointment to a public office that appears disproportionate to the individual's qualifications or merits might raise concerns about potential abuse of power for personal gain.

20. Special consideration should be given to family members and close associates of persons assessed as high-risk domestic PEPs. SFIs should assess whether the income, wealth or financial flows of these individuals are derived from:

- Granting of government licenses or contracts.
- Licenses to act as a monopoly provider of services or permissions for significant construction projects.
- Preferential access to the privatisation of former crown assets.
- Commerce in industry sectors with high barriers to entry or a lack of competition, especially where these barriers stem from law, regulation, or other government policies.
- Wealth or lifestyle inconsistent with known legitimate sources of income or wealth.
- Nepotism or appointments to public office that appear inconsistent with personal merit or professional experience.

21. While EDD measures broadly consider the due diligence requirements associated with high-risk PEPs, SFIs must take care to employ rigorous oversight measures to validate their risk assessment.

### Rigorous Oversight Measures

22. The following examples demonstrate the application of rigorous oversight for high-risk PEPs:

- **Enhanced Wealth Verification:** Conduct independent verification of the PEP's source of wealth using public records and financial disclosures, not solely self-reported explanations.
- **Senior Management Oversight:** Senior management should actively approve and oversee the relationship, supported by detailed risk assessments and justification.
- **Risk Committee Approval:** High-risk PEP relationships should be reviewed and approved by the risk management committee to ensure robust challenge and governance.
- **More Frequent Reviews:** Apply shorter review cycles based on assessed risk.
- **Deeper Ongoing Reviews:** Perform comprehensive reviews of transactions, behaviour, and changes in role or circumstances affecting risk.
- **Enhanced Transaction Monitoring:** Implement intensive monitoring using advanced analytics and tailored scenarios to detect unusual or suspicious activity.

These additional measures are essential to reinforce risk management efforts and maintain compliance standards, particularly in scenarios involving individuals posing higher inherent risks due to their political exposure or related associations.

## SCREENING METHODS

23. SFIs are required to adhere to the minimum expectations for establishing and maintaining an effective sanctions screening process outlined within the Central Bank's [Guidance Notes for Sanction Screening](#).

24. The FTRA 2018 emphasises enhanced due diligence as a cornerstone for PEP identification. While a client's primary occupation is a significant factor, leveraging additional information sources is critical in assessing the risk posed by PEPs.

25. To strengthen customer due diligence and obtain comprehensive PEP information, SFIs must use a multi-source approach. This multi-source approach entails building comprehensive client profiles by gathering information from diverse channels.

26. At minimum, an SFIs sanctions screening process should include the following compulsory aspects<sup>4</sup>:

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<sup>4</sup> Central Bank of The Bahamas, *Guidance Notes for Sanctions Screening* (20 November 2025) para 17.

- a. Risk Assessment
  - b. Appropriate policies and procedures
  - c. Internal controls
  - d. Educated and experienced employees
  - e. Adequate testing
27. In implementing an effective sanctions screening compliance process, an SFIs Board of Directors and Senior Management are responsible for:
- a. Approving and overseeing the sanctions screening framework;
  - b. Ensuring adequate resources, systems, and expertise are in place;
  - c. Setting the SFIs risk appetite with respect to sanctions exposure; and
  - d. Ensuring policies and procedures are effectively implement, monitored, and updated in accordance with legislative and regulatory requirements

## PEP DECLASSIFICATION

28. SFIs should adhere to a risk-based approach for managing PEPs throughout their client lifecycle, including declassification. This implies that the decision to declassify a PEP is not solely based on a specific timeframe, but rather on a comprehensive assessment of the ongoing ML/CF/PF risks associated with the individual.

### Factors for Declassification

29. Declassifying a PEP who is no longer entrusted with a prominent public position in The Bahamas requires a thorough investigation and ongoing monitoring. SFIs employing an RBA should consider the following factors on a case-by-case basis:
- **High-Risk Industry:** If the individual is linked to an industry with a high ML/CF/PF risk, additional scrutiny is necessary. High-risk industries include, but are not limited to:
    - Financial and Quasi-Financial Services
    - Virtual Asset Service Providers (VASPs)
    - Casinos, Gambling, and Gaming
    - Real Estate and Property Development
    - Designated Non-Financial Business and Professions (DNFPBs)
    - Precious Metals, Gems, and High Value Goods
    - Arms, Dual-Use Goods, and High-risk trade
    - Cash Intensive Businesses
    - Cross Border Trade and Shipping
  - **Position-Specific Risks:** Potential risks associated with the specific political position (or lack thereof) held by the PEP must be assessed.
    - For domestic PEPs, consideration should be given to the sphere of influence and the function of the position that previously warranted their categorisation as a PEP.

- **Tenure in Office:** The length of time the individual held the public position plays a role in determining ongoing risk.
  - **Likelihood of Re-entering Politics:** While it is difficult to predict future events, the possibility of the individual resuming a prominent public position in the future should be assessed. This considers factors such as public activity, financial capacity, continued political connections.
  - **Source of Wealth:** The individual's source of funds and wealth, particularly wealth acquired while holding office, may require continued scrutiny.
  - **Risk Profile and Net Worth Plausibility:** The consistency of the individual's risk profile and declared net worth needs to be evaluated.
  - **Negative Media Reports:** Any negative media coverage related to the individual's financial activities should be investigated.
30. In addition to the above considerations, for declassification of foreign PEPs, SFIs should evaluate the corruption risk in the individual's country of origin.

#### **Board and Senior Management Approval**

31. Declassification of any PEP, including their family or close associates, requires review and approval by senior management, with appropriate documentation maintained for future reference. Prior PEP status should also be noted for potential investigative purposes, such as filing Suspicious Transaction Reports (STRs).

#### **Deceased PEPs**

32. For deceased PEPs, the information should be properly documented. If the institution intends to continue a business relationship with surviving family members or close associates, a risk-based assessment must be conducted to determine the necessity of continued EDD or potential declassification.

#### **Minimum Period for Declassification**

33. Declassification requires an individual assessment of the same considerations assessed for classification of high vs. low-risk. FATF's Recommendation 12 emphasises a case-by-case approach over a fixed timeframe for declassifying PEPs. If a person designated as a domestic PEP is no longer entrusted with a prominent public function, they should continue to be subject to risk-based enhanced due diligence for no less than 24 months after ceasing to hold the public function. The duration of continued enhanced due diligence or modified CDD measures would be dictated by the risk profile of that individual outlined within the factors for declassification and best practices established by industry associations.
34. High-risk associated with the public office, position, and portfolio held should be considered. For instance, the influence of some retired figures, like former Prime Ministers can extend beyond their tenure.

35. Financial institutions should identify a clear process for declassification tied into their ongoing monitoring, which can include risk-based assessment, consistent monitoring, reports, notices, and the expressed removal of the designation.
36. By adopting a more comprehensive risk-based approach and staying informed about evolving regulations, SFIs can effectively manage the declassification process for PEPs, mitigating risks while ensuring compliance with local and international standards.

## Appendix

### Illustrative list of Domestic PEPs

In accordance with the Central Bank of The Bahamas *Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering, Countering the Financing of Terrorism and Proliferation Financing*, along with principles and recommendations outlined by the FATF, the Wolfsberg Group, and other international and regional styled bodies, the classification of PEPs should include, but not be limited to, the following categories of individuals with a prominent public function<sup>5</sup>:

- Head of State or Government
- Senior Government, Judicial, or Military Official
- Ambassadors
- Senior Executive of a state-owned corporation
- Senior Officials of major political parties

In addition to the above, Bahamian domestic PEPs would also include all individuals who are required by law to file financial disclosures to the Public Disclosure Commission, under the Public Disclosure Act, 1976, and the Public Disclosure Act (Application to Public Appointees and Public Officers) Notice, 1980 (“the Notice”). These include:

- Members of Parliament
- Members of the Senate
- Public Officers
  - See Schedule (Paragraph 2) of the Notice.
- Public Appointees
  - Cabinet approved appointments to public boards and committees
  - Appointments under statutory or other powers to positions of public influence or authority

If a relationship has not been identified on this list, an SFI would be expected to apply the appropriate principles-based assessment and due diligence to appropriately classify the customer and assess a risk rating commensurate with the risk posed to the SFI.

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<sup>5</sup> Central Bank of The Bahamas - AML/CFT/CPF Guidelines (May 2026), [Section IV – Enhanced Due Diligence - C. Politically Exposed Persons \(PEPs\)](#), para. 177