The Commonwealth of The Bahamas

# SUMMARY FINDINGS

Money Laundering and Terrorist Financing Risk Assessment on Legal Persons & Arrangements


2025

# The Bahamas

## Money Laundering and Terrorist Financing Risk Assessment of Legal Persons and Arrangements in The Bahamas



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# MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT OF LEGAL PERSONS AND ARRANGEMENTS IN THE BAHAMAS

## FOREWORD

The effective regulation and oversight of legal persons and legal arrangements are fundamental to maintaining transparency, protecting the integrity of our financial system, and safeguarding the international reputation of The Bahamas as a well-regulated financial centre. While corporate entities, partnerships, and trusts play an essential role in facilitating legitimate commerce, investment, and wealth management, it is equally important that appropriate safeguards exist to prevent their misuse for illicit purposes.



This Legal Persons and Legal Arrangements Risk Assessment reflects The Bahamas' continued commitment to understanding and addressing the potential ML and TF associated with the use of these structures. While this report represents the first comprehensive national assessment dedicated specifically to legal persons and legal arrangements, it builds upon years of practical experience, regulatory oversight, and law enforcement intelligence that have informed our understanding of how such structures may be exploited.

Over time, competent authorities in The Bahamas have developed this understanding through supervisory engagement, intelligence gathering, and ongoing collaboration with regulated sectors. Previous sectoral risk assessments covering industries such as banking, trust and corporate service providers, and real estate, have long considered risks associated with all client types, including legal persons and legal arrangements. These efforts have helped shape supervisory expectations, compliance obligations, and the application of risk-based controls across the financial and non-financial sectors.

The Bahamas has also made significant progress in strengthening its legislative and regulatory framework to promote corporate transparency and ensure timely access to beneficial ownership information. Legislative reforms, including the Proceeds of Crime Act, 2018, the Financial Transactions Reporting Act, 2018, and the Register of Beneficial Ownership Act, 2018, have enhanced the ability of competent authorities to identify and verify the natural persons who ultimately own or control legal entities and arrangements. These measures have strengthened transparency and reinforced the jurisdiction's ability to respond effectively to financial crime risks.

These reforms have contributed to important milestones for The Bahamas, including its removal from the grey list of the Financial Action Task Force (FATF)and the list of high-risk jurisdictions maintained by the European Union. While these outcomes reflect the strength of our legal and regulatory framework, the evolving nature of financial crime requires continued vigilance and periodic reassessment of emerging risks.

This assessment reflects the collective efforts of government agencies, regulators, and other key stakeholders who contributed their expertise and insights to identify vulnerabilities, evaluate existing safeguards, and assess the effectiveness of current controls relating to legal persons and legal arrangements in The Bahamas. The findings provide a consolidated national perspective on how these risks are understood and managed across the jurisdiction.



As The Bahamas prepares for the Fifth Round Mutual Evaluation of the FATF in 2026, continued emphasis will be placed not only on maintaining a strong legislative framework but also on demonstrating the effective implementation of our systems and controls. A clear understanding of the risks associated with legal persons and legal arrangements is therefore critical to ensuring that our regulatory, supervisory, and enforcement responses remain coordinated, proportionate, and effective.

I extend my sincere appreciation to all agencies and individuals who contributed to this assessment. In particular, I acknowledge the Securities Commission of The Bahamas, which played an instrumental role in initiating this assessment and supporting its completion. I also recognize the work of the Compliance Unit, which led the coordination of this exercise with the support of the Corporate Registry, the Identified Risk Framework Coordinator and the International Legal Cooperation Unit within my Office. I further acknowledge the valuable contributions of the Financial Intelligence Unit, regulators, law enforcement agencies, and other relevant stakeholders whose collaboration was essential to the completion of this report.

The Bahamas remains firmly committed to strengthening transparency, promoting accountability, and ensuring that its legal and regulatory framework continues to meet the highest international standards. This assessment represents an important step in that ongoing effort and will help guide future policy, regulatory, and supervisory initiatives in this critical area.

***L. Ryan Pinder, K.C.***
***Attorney General and Minister of Legal Affairs***

## Executive Summary



The Bahamas maintains a well-established framework for the regulation and supervision of legal persons and legal arrangements, supporting legitimate commercial, fiduciary, and investment activities. The jurisdiction upholds comprehensive beneficial ownership requirements, a mature supervisory environment, and robust professional gatekeeping through finance and corporate service providers (FCSPs), financial institutions, and licensed fiduciary administrators. These elements collectively reinforce transparency, accountability, and confidence in the national financial and corporate sectors.

This assessment examines the money laundering (ML) and terrorist financing (TF) risks associated with legal persons, including domestic companies, International Business Companies (IBCs), foreign companies, exempted limited partnerships, foundations, and investment-related vehicles, as well as legal arrangements such as trusts and foundations. The analysis, covering the period 2021 to 2025, draws on registry data, law enforcement and Financial Intelligence Unit (FIU) reporting, survey responses from FCSPs and financial institutions, and input from cross-sectoral working groups.

Findings indicate that legal persons present **Medium ML vulnerability**, primarily in situations involving complex, cross-border ownership structures or nominee arrangements. Documented cases during the review period are limited, and existing oversight mechanisms, including the Beneficial Ownership Secure Search system (BOSSs) and professional diligence, help mitigate ML and TF risks. Legal arrangements are also assessed as having residual **Medium ML vulnerability**, reflecting strong professional administration, licensing, and supervisory oversight. Across all entity types TF vulnerability is assessed as **Medium-low**.

Inherent ML risk identified across sectors such as banking real estate, Private Trust Companies (PTCs), securities and investment funds are largely structural, arising from multi-layered ownership, cross-border exposure, or separation between legal and beneficial ownership. Mitigating controls include statutory obligations, internal compliance frameworks, enhanced due diligence practices, and sector-specific professional gatekeeping.

The assessment confirms that The Bahamas maintains a robust, well-governed, and transparent environment for legal persons and arrangements. High levels of compliance, strong professional oversight, and active coordination between domestic authorities and international partners provide assurance that risks are appropriately monitored and mitigated. Recommendations focus on reinforcing existing best practices, sustaining high levels of beneficial ownership compliance, maintaining sectoral coordination, and continuing vigilance with regard to complex or cross-border structures.

## Introduction



1. This assessment forms part of the country's broader national risk assessment framework and supports the ongoing application of a risk-based approach to anti-money laundering and counter-terrorist financing (AML/CFT) supervision, regulation, and policy development.

2. Legal persons and legal arrangements play a central role in the Bahamian economy and financial system. They are widely used for legitimate commercial, investment, wealth management, and estate planning purposes, both domestically and internationally. At the same time, their potential misuse for illicit purposes has been recognized internationally, particularly where complex ownership structures, cross-border activity, or opacity in beneficial ownership may arise. This assessment therefore examines these risks in a structured, evidence-based manner, taking into account the specific characteristics of The Bahamas as an international financial centre.

3. The assessment draws on supervisory experience, law enforcement intelligence, sectoral engagement, and empirical data to examine threats, vulnerabilities, and mitigating measures associated with legal persons and legal arrangements. It provides a national-level overview of these risks, using available information to describe patterns and potential vulnerabilities.

4. By providing a clear overview of legal persons and legal arrangements, this assessment aims to articulate the risk environment, highlight the measures in place to prevent misuse, and reinforce the transparency, accountability, and resilience of The Bahamas' corporate and fiduciary framework.

## Objective of the Assessment

5. The objective of this assessment is to document The Bahamas' understanding of ML and TF risks associated with legal persons and legal arrangements at the national level. This is the first comprehensive assessment focusing specifically on these entities, building on prior sectoral evaluations, desktop reviews, and supervisory experience that have considered legal persons and arrangements as part of broader client risk assessments.

6. These prior evaluations, which covered sectors such as banking, financial, trust and corporate service providers, real estate, Private Trust Companies (PTCs), securities and investment funds informed supervisory expectations, compliance obligations, and the application of risk-

based controls for all client types. The assessment also draws on findings from an earlier desk-based review of legal persons and arrangements, which highlighted key risk drivers and vulnerabilities.

7. This assessment does not introduce a new risk perspective; rather, it reflects and documents an understanding of ML/TF risks that has developed through years of practice, experience, and sector-specific insights, providing a national-level view of how these risks are managed in The Bahamas.

## Scope

8. This assessment covers legal persons formed in The Bahamas under Bahamian law[1], including companies, foundations, and exempted limited partnerships (ELPs), companies limited by guarantee, investment funds, and other relevant structures. Trusts and comparable legal arrangements administered in or from The Bahamas are also included.

9. To support the assessment, a mapping exercise was conducted to capture population data, registration trends, beneficial ownership compliance, and supervisory practices across the relevant entity types. The exercise informs areas requiring continued supervisory focus. The methodology section provides further details on the mapping approach. The methodology section provides a more detailed account of the mapping approach.

## Methodology

10. This assessment was conducted using the World Bank Risk Assessment Tool for Legal Persons and Arrangements, an internationally recognised framework designed to systematically identify, assess, and understand ML and TF risks associated with corporate and fiduciary structures. The methodology integrates both qualitative and quantitative information, including law enforcement case data, suspicious transaction reporting trends, supervisory findings, sectoral survey responses, and regulatory compliance statistics.

11. The approach aligns with FATF Recommendations 24 and 25 and Immediate Outcome 5. Data sources included the FIU, the Royal Bahamas Police Force, supervisory authorities, outputs from recent national risk assessments, and other relevant public and non-public reporting bodies.

[1] Formed in The Bahamas under Bahamian law" includes legal persons incorporated, registered, continued, or otherwise established under the applicable legal framework.

12. Stakeholder engagement was a core component of the methodology, ensuring broad institutional input and ownership of the findings. Participants included government and regulatory agencies, law enforcement authorities, civil society organisations, and representatives from the financial and corporate services sectors.

13. The assessment was carried out in three steps:



Step 1: Mapping – Population, registration, and compliance data were collected to establish the scope and characteristics of legal persons and arrangements, including beneficial ownership transparency levels.

Step 2: Threat Assessment – Law enforcement data, Mutual Legal Assistance Treaty (MLAT) activity, survey responses, and working group insights were analyzed to evaluate observed and perceived ML/TF threats. This step considered quantitative evidence, including criminal investigations, prosecutions, civil enforcement actions, and cross-border activity, alongside qualitative insights into risk drivers and sectoral exposures.

Step 3: Vulnerabilities Assessment –This stage assessed structural, procedural, and vulnerabilities across key sectors, including banking, real estate, and trust and corporate service providers. It also drew on survey responses and working group discussions to better understand sectoral practices, internal controls, and the effectiveness of risk mitigation measures.

A detailed entity-specific risk assessment, including inherent and final ML/TF risk ratings for each legal person and arrangement type across sectors, is provided in a supplemental annex. This annex complements the findings presented in this report.

## Key Legislative Instruments

14. The risks associated with legal persons and arrangements are mitigated by a robust legislative framework that prioritizes transparency, regulatory oversight, and effective monitoring. Central to this framework is the Register of Beneficial Ownership Act, 2018 (ROBOA), which requires the maintenance of accurate, adequate, and up-to-date beneficial ownership information for legal entities, accessible to competent authorities through secure systems. This is

complemented by the Financial Transactions Reporting Act (FTRA), which imposes customer due diligence, recordkeeping, and suspicious transaction reporting obligations on financial institutions and DNFBPs, ensuring that ownership structures are verified and monitored on an ongoing basis. The Financial Transactions Reporting Regulations further set out these obligations by prescribing customer due diligence requirements in respect of legal persons and legal arrangements, including companies, trusts, and other fiduciary structures, requiring the identification and verification of all relevant parties.



15. The Proceeds of Crime Act, 2018 (POCA) further strengthens this framework by enabling the tracing, restraint, and recovery of illicit assets, including through civil forfeiture and unexplained wealth provisions. In addition, the Financial Intelligence Unit Act (FIUA) enhances the national capacity to receive, analyse, and disseminate financial intelligence, supporting the detection of complex ownership structures and potential misuse. These measures are reinforced by supervisory legislation, including the Banks and Trust Companies Regulation Act, 2020 (BTCRA), which ensures effective oversight of institutions involved in the formation and management of legal persons. The framework is further strengthened by international cooperation mechanisms under the Criminal Justice (International Cooperation) Act, 2000 (CJICA) and the Mutual Legal Assistance (Criminal Matters) Act, 1988 (MLAA), which enable the timely exchange of information, asset tracing, and investigative support with foreign jurisdictions. Collectively, these measures significantly reduce the risk that legal persons and arrangements may be misused for terrorist financing purposes.

16. Against this legislative backdrop, the assessment of legal persons and arrangements was undertaken using a structured, methodical approach. This process began with a mapping of the sector, focusing on the mechanisms for formation and registration, as well as the transparency of ownership and control, to identify key features and potential areas of exposure.

## *STEP 1*

## Mapping of Legal Persons and Arrangements

17. The Bahamas has a diverse and well-regulated landscape of legal persons and arrangements. Oversight is anchored in statutory frameworks and enforced by the Registrar of

Companies, sectoral regulators, with licensed FCSPs, who act as frontline gatekeepers. The Beneficial Ownership Secure Search System (BOSSs) maintains beneficial ownership information, enabling timely access for law enforcement and regulatory authorities.

## Types of Legal Persons



18. The Bahamas provides a structured framework for the creation and registration of various legal persons, supporting commercial and fiduciary activities. Entities formed under Bahamian law[2] include regular companies, IBCs, foreign companies, ELPs, foundations, executive entities, segregated accounts companies (SACs), and investment-related vehicles. These legal persons are governed by general and specialized legislation, which sets out formation, registration, and record-keeping requirements.

19. Formation of legal persons generally involves submission of statutory documents[3] to the Registrar of Companies, detailing key information such as the entity's name, registered office, purpose, officers or directors, and, where applicable, share structure. Certain entities, such as IBCs, may only be incorporated by licensed corporate service providers. ELPs, foundations, and other fiduciary arrangements are required to maintain registered offices and internal records, while trusts are professionally administered by licensed service providers.

## Formation, Registration and Transparency

The following summarizes key formation and registration requirements for each entity type:

### (i) Regular Companies

Regular companies may be formed by two or more persons through filing a Memorandum with the Registrar. The Memorandum must disclose corporate information including company name, registered office, liability structure, share capital, number of shareholders, and share value. Each subscriber signs in the presence of a witness.[4]

### (ii) International Business Companies (IBCs)

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[2] Ibid.

[3] Memorandum and Articles of Association; Declarations, and Charters

[4] **S.3 and s.3(4), Companies Act**

IBCs may be formed by two or more persons through filing a Memorandum with the Registrar. Only a licensed bank or a person licensed and approved under the Financial and Corporate Service Providers Act (FCSPA). The Memorandum includes the company name, registered office, objects and purposes, share currency, and liability of members. Articles are filed concurrently, and amendments must be submitted within 28 days[5].



### (iii) Foreign Companies

Foreign companies must register with the Registrar before carrying on business in The Bahamas. Registration requires filing a statement with the company name, jurisdiction and date of incorporation, nature of activities in The Bahamas, principal office addresses, and names, addresses, and occupations of directors.[6]

### (iv) ELPs

ELPs may consist of partners that can be resident, domiciled, or incorporated in The Bahamas, but at least one partner must be locally resident or incorporated under the IBC Act or Companies Act. ELPs must maintain a registered office in The Bahamas.[7]

### (v) Foundations

Foundations must file an application and statement with the Registrar, including the foundation's name, date of charter and amendments, purpose, secretary/agent details, registered office, and first officers. The charter and articles are not required for filing.[8]

### (vi) SACs

SACs must file an application including the company name, nature of business, registered office, and date of incorporation[9].

### (vii) Executive Entities

[5] S.3, 4(1) and 8, IBC Act
[6] S. 172 and 173, Companies Act
[7] S. 4 and 6, ELP Act
[8] S. 21, Foundations Act
[9] S.4, SAC Act

EEs must register with the Registrar of Companies. Registration involves filing a statement with the entity's name, purpose, address, date of charter, and officers or council members. The charter must include identification of founder(s) and officers[10].

(viii) Private Trust Companies (PTCs)



PTCs are legal persons incorporated under the Companies Act, 2006 or the International Business Companies Act, 2000. PTCs inherently administer legal arrangements, primarily trusts. They are registered with the Central Bank of The Bahamas (CBB), which requires the appointment of a Registered Representative, a licensed bank, trust company, or FCSP.

20. Registration and record-keeping requirements help ensure compliance with legal obligations. Publicly available information typically includes the entity's name, registered office, and officers or directors. More detailed records, including beneficial ownership, are maintained by licensed agents and can be accessed through BOSSs.

Table 1 provides a summary of the types of legal persons in The Bahamas and the legislation that governs their formation and operation.

## Table 1 – Legal Persons and Governing Legislation

| Type of Legal Person / Arrangement | Governing Legislation |
|---|---|
| Regular Companies | Companies Act, Ch. 308 |
| International Business Companies (IBC) | International Business Companies Act, Ch. 309 |
| Foreign Companies | Companies Act, Ch. 308 |
| Exempted Limited Partnerships (ELP) | Exempted Limited Partnerships Act, Ch. 312 |
| Foundations | Foundations Act, Ch. 369D |
| Segregated Accounts Companies (SAC) | Segregated Accounts Companies Act, Ch. 369C |
| Executive Entities | Executive Entities Act, Ch. 369E |
| Private Trust Companies (PTC) | Companies Act, Banks and Trust Companies Act, Ch. 316 and Banks and Trust Companies Regulations Act, 2020 |

[10] S.28(1), EE Act

## Types of Legal Arrangements

21. The Bahamas provides for legal arrangements including ordinary trusts, authorized purpose trusts, and investment condominiums. These arrangements are used for estate planning, wealth management, asset protection, succession planning, and charitable purposes. Trustees or administrators maintain internal records within the jurisdiction, providing authorities with access to ownership and purpose-related information for regulatory and compliance purposes[1]. Foundations, while legally classified as legal persons under the Foundations Act, often operate similarly to trusts and are included here to provide context within the broader fiduciary landscape.



## Formation, Registration and Transparency

### (i) Ordinary Trusts (Express Trusts)

22. Ordinary trusts are created by a settlor through a trust instrument, appointing trustees to hold and manage assets for beneficiaries or a specified purpose under the Trustee Act and Trustee (Amendment) Act[11]. The settlor transfers legal ownership to the trustees while retaining certain reserved powers, which may include revocation, appointment of trustees or beneficiaries, or directions over investments. Trust deeds, deeds of appointment, and other related documents are generally exempt from public registration under the Registration of Records Act[12], but must be maintained within the jurisdiction.

### (i) Authorized Purpose Trusts

23. Authorized purpose trusts are subject to stricter regulatory requirements. Only licensed banks, trust companies, or individuals authorized under the FCSPA[13] may act as trustees. Trustees must maintain in The Bahamas the trust instrument, any amendments, a register of the settlor, a summary of the trust's purpose, and the names and addresses of any authorized applicants. Trustees are also required to maintain financial records, including assets, liabilities, income, and expenditures, and to make these available to the Attorney General upon request.

### (ii) Investment condominiums

[11] Reserved powers and legal framework under the Trustee Act, Chap. 176 and Trustee (Amendment) Act.
[12] Exemption from public registration under the Registration of Records Act.
[13] Trustees must be licensed under the Financial and Corporate Service Providers Act.

24. Investment condominiums in The Bahamas are regulated structures established for collective investment purposes. Registration requires the submission of a Certificate of Establishment signed by the administrator, which must include the investment condominium's name, the address in The Bahamas for service of process, the administrator's name and address, the date of establishment, and a declaration that the condominium will be licensed as an investment fund under the Investment Funds Act.[14]



### (iii) Foundations

25. Foundations are legally classified as legal persons under the Foundations Act but often function similarly to trusts by holding and administering assets for beneficiaries or defined purposes. They are included here to illustrate their similarity to fiduciary arrangements, while retaining separate legal status.

**Table 2** provides a summary of the main types of legal arrangements in The Bahamas and the legislation that governs their formation, registration, and administration.

### Table 2 – Legal Arrangements and Governing Legislation

| Type of Legal Arrangement | Governing Legislation |
|---|---|
| Ordinary Trusts | Trustee Act, Ch. 176 |
| Authorized Purpose Trusts | Purpose Trust Act, Ch. 176A |
| Investment Condominiums | Investment Condominium Act, Ch. 369G |
| Foundations | Foundations Act, Ch. 369D |

## Registration Data Analysis

26. This assessment contextualizes registration activity within the broader legal and regulatory environment. Registration trends provide insights into the composition, scale, and structural characteristics of legal persons in The Bahamas, which inform sector-level risk and vulnerability assessments.

[14] Certificate of Establishment and registration under the Investment Funds Act.

27. IBCs remain the dominant entity type, reflecting the jurisdiction's strong role in facilitating cross-border corporate activity. Annual incorporations of IBCs were consistently high over the review period. Regular companies, which primarily serve domestic commercial purposes, showed a similar pattern of high incorporations, with only minor fluctuations over time.

28. Specialized structures such as ELPs and SACs) maintain modest but consistent activity. Their low volume relative to IBCs and regular companies underscores their niche role, often associated with complex or tailored fiduciary and investment arrangements. Foundations demonstrate steady incorporation activity, reflecting ongoing use for fiduciary, charitable, and estate-planning purposes. EEs are few, highlighting their specialized purpose of performing only executive functions, while foreign companies maintain a stable presence, indicating a steady inflow of international business activity.

29. The patterns observed across entity types illustrate several analytical points. First, IBCs and regular companies dominate the corporate landscape and are central to the jurisdiction's cross-border business activity. Second, specialized structures such as ELPs, SACs, and foundations, while fewer in number, represent critical legal arrangements that support fiduciary and investment functions. Third, temporary slowdowns due to digital platform transitions reflect system-related impacts rather than underlying market shifts. Together, these trends provide a clearer understanding of the legal person landscape, including entity diversity, international orientation, and the relative scale of different structures, which underpins subsequent assessments of threats and vulnerabilities.

## Registration Trends and BO Compliance

30. Beneficial ownership compliance across legal persons and arrangements in The Bahamas remained high and improved steadily during the 2021–2025 period. The compliance rate in 2021 was around 72 percent, reflecting the relatively recent implementation of BOSSs in 2019 and the temporary extensions granted in 2020 due to the COVID-19 pandemic.

31. From 2022 onwards, compliance increased steadily, reaching approximately 98 percent by 2025. This trend reflects the effectiveness of ongoing supervisory measures, timely regulatory engagement, and the embedding of reporting obligations across all entity types. Domestic companies and IBCs consistently demonstrated strong adherence, while smaller or specialized entities, including exempted limited partnerships, foundations, and foreign companies, gradually improved compliance, consistent with the complexities of cross-border operations.

32. By 2025, the pattern indicates a well-established culture of compliance, with regulatory authorities continuing to emphasize timely submissions and periodic updates, supporting a robust and reliable beneficial ownership framework. Supervisory activities provide additional assurance by validating the completeness, accuracy, and timeliness of beneficial ownership information held at the institutional level, including through cross-referencing with available registry data.



Table 3 provides a comparative view of compliance across entity types during the assessment period, illustrating trends over time and identifying areas for continued regulatory attention.

| Year | Beneficial Ownership Compliance (%) | Notes/Context |
|---|---|---|
| 2021 | 72% | System recently implemented (2019); COVID-19 extensions in 2020 impacted timely compliance |
| 2022 | 84% | Steady increase as reporting obligations take effect |
| 2023 | 90% | Midpoint shows continued adoption and awareness among entities |
| 2024 | 94% | Most entity types demonstrating strong adherence |
| 2025 | 98% | Well-established compliance culture; reporting obligations fully embedded across all entity types; regulatory engagement ensures timely filings |

33. Building on the analysis of registration and beneficial ownership compliance trends, it is evident that the composition, scale, and structural characteristics of legal persons in The Bahamas provide important context for understanding sector-specific exposures. The dominance of IBCs, the steady presence of specialized entities such as ELPs, SACs, foundations, and EEs, along with robust compliance practices for beneficial ownership, establish the foundation for assessing potential misuse. This context enables a more targeted examination of threats, allowing the assessment to move from mapping the structural landscape in Step 1 to evaluating the inherent ML and TF exposures in Step 2.

*Step 2*

## Threat Assessment

### Overview



34. Legal persons and legal arrangements in The Bahamas continue to facilitate legitimate business, investment, and estate-planning activities. Finance and corporate service providers, financial institutions, and regulators maintain strong oversight of ownership structures, helping to ensure transparency and accountability. Evidence drawn from surveys, law enforcement reporting, and coordination with the FIU indicates that the sector is highly aware of potential ML and TF risks, particularly those arising from complex, multi-jurisdictional ownership arrangements.

35. The threat assessment draws on multiple sources, including law enforcement investigations, suspicious transaction reporting, Mutual Legal Assistance Treaty requests, survey responses from financial institutions and designated non-financial businesses and professions, and regulatory reporting. This evidence-based approach ensures that the analysis reflects actual exposures and practical outcomes, rather than theoretical or hypothetical risks. Within the supervisory framework, ongoing assessments evaluate whether institutional risk assessments adequately capture the risks associated with legal persons and arrangements and are effectively implemented through risk rating, due diligence, and monitoring processes.

36. Key factors identified as potential risk drivers include connections to high-risk jurisdictions, opaque beneficial ownership structures, transactions involving politically exposed persons, and rapid or unexplained changes in ownership or directorship. These risks are effectively mitigated through mandatory reporting to the Beneficial Ownership Secure Search System, consistently high beneficial ownership compliance, robust internal due diligence procedures, and proactive gatekeeping by both corporate service providers and regulated financial institutions.

### Quantitative Evidence of Money Laundering Threats for Legal Persons

#### Law enforcement cases (2021-2025)

37. Between 2021 and 2025, law enforcement authorities identified four criminal matters involving legal persons, with three prosecutions ongoing at the time of review. Mutual Legal

Assistance Treaty (MLAT) requests were submitted in five matters, reflecting cross-border cooperation with the United States, Canada, Venezuela, Spain, and Varok. The matters primarily involved domestic companies and IBCs, often characterised by single ownership or shell structures, with assets concentrated in bank accounts. Civil enforcement activity during the period was limited to one reported matter, and no convictions were recorded. The total value of suspected proceeds under investigation was approximately B$4,085,000.



38. Representative cases illustrate how legal persons have been used in ML schemes. Case one involves a domestic company and an IBC used to launder proceeds of cheque fraud, with charges pending trial. Case two involves a law firm providing professional services in the real estate sector and concerns the laundering of proceeds from stealing by reason of service; the case remains under investigation.

39. Case three involves IBCs and foreign companies transferring funds through cross-border channels, currently under investigation via international cooperation requests. These examples demonstrate that sophisticated corporate structures, including IBCs, domestic companies, and professional service providers, can be exploited to facilitate ML, while also highlighting the effectiveness of regulatory oversight, BOSSs, and inter-agency coordination in tracing complex financial flows.

**Table 4** summarizes law enforcement cases during the assessment period.

## Table 4 - Summary Table of Law Enforcement Cases

| Case | Predicate Offense | Entity Type Involved | Amount Involved | Outcome / Status |
|---|---|---|---|---|
| 1 | Cheque Fraud | Domestic Company, IBC | Significant | Charges pending trial |
| 2 | Stealing by Reason of Service | Law firm / Professional services | Multi-million | Subject at large, Red Notice issued |
| 3 | Money Laundering | IBCs / Foreign companies | Moderate | Investigation via MLAT |

### Suspicious Transaction Reports (STRs) Trends and Analysis

40. Over the 2021–2025 period, the FIU received and analyzed numerous STRs involving legal persons and arrangements. Domestic companies accounted for the majority of STR filings, with

activity peaking in 2022, reflecting heightened scrutiny of domestic business operations. STRs related to IBCs, foreign companies, EEs, and other legal persons and arrangements were also observed, with a smaller but notable share disseminated to law enforcement agencies each year. Several disseminated cases involved complex corporate structures with cross-border elements, highlighting the nature of potential money laundering threats and the active monitoring role of the FIU within the existing AML/CFT framework.



41. STR analysis and supervisory feedback show that, on a few occasions, domestic business owners tried to get around reporting requirements by using personal accounts for business transactions. These cases are uncommon and don't pose a significant risk, as current regulations and monitoring systems are designed to catch such behavior. Regulators, service providers, and financial institutions actively track account activity and carry out customer due diligence, so these isolated incidents are usually identified and addressed quickly.

**Table 5** represents STRs submitted to the FIU from 2021 to 2025, broken down by entity type, illustrating patterns of reporting across domestic companies, IBCs, ELPs, SACs, EEs, foreign companies, foundations, ETs, ICons, and other legal persons/arrangements.

## Table 5 – STRs Filed by Legal Person / Legal Arrangement (2021–2025)

| Year | DCs | IBCs | ELPs | SACs | EEs | FCs | F | ETs | ICons | Other Legal Persons* |
|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | Low | low | – | – | – | low | – | low | – | low |
| 2022 | High | moderate | – | – | – | moderate | – | low | – | moderate |
| 2023 | moderate | low | – | – | – | low | – | low | – | low |
| 2024 | moderate | low | – | – | – | moderate | – | low | – | low |
| 2025 | Low | low | – | – | – | low | – | low | – | low |

**Other Legal Persons" include LLCs, Non-Profit Organizations, Private and Public Limited Companies, Incorporations, and other registered structures, varying by year.*

42. STR filings involving domestic companies consistently represented the largest share, peaking around 2022, while IBCs and foreign entities contributed a smaller but notable portion.

Other legal persons, including fiduciary and corporate structures, generated moderate STR activity. This pattern reflects sectoral awareness and ongoing monitoring, with filings generally concentrated on higher-risk activities.

**Table 6** presents the number of STRs analyzed by the FIU and disseminated to law enforcement agencies from 2021 to 2025, highlighting the distribution across different legal persons and arrangements.

Table 6 – STRs Analyzed / Disseminated to LEAs (2021–2025)

| Year | DCs | IBCs | ELPs | SACs | EEs | FCs | F | ETs | ICons | Other Legal Persons |
|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | Low | – | – | – | – | low | – | – | – | low |
| 2022 | Low | low | – | – | – | low | – | – | – | low |
| 2023 | Low | – | – | – | – | – | – | – | – | low |
| 2024 | moderate | – | – | – | – | low | – | – | – | low |
| 2025 | – | – | – | – | – | – | – | – | – | low |

Disseminations of STRs to law enforcement were limited in number, reflecting the targeted nature of reviews. Domestic companies were the most frequent subject of disseminations, while other entity types received sporadic attention. The trends indicate that authorities monitor potential risks while preserving a high level of compliance oversight.

Overall, the STR filings and analysis, combined with supervisory oversight, demonstrate that risks are monitored and addressed within the existing AML/CFT framework

## Threat Level Assessment

### Legal Persons

43. Based on law enforcement investigations, FIU STR data, and survey responses, legal persons present a **medium threat for ML.** While some documented misuse exists, beneficial ownership data, professional oversight, and internal controls makes exploitation less likely. No cases explicitly related to TF were identified, consistent with the sector's low exposure to TF risk. Overall, the evidence indicates that the Bahamian regulatory framework effectively mitigates systemic ML risks while supporting legitimate business activity.

### Legal Arrangements

44. Trusts, foundations, and investment fund entities did not feature in any reported ML investigations during the review period. Professional administration, licensing requirements, and ongoing supervisory oversight effectively manage potential exposure. CSPs and financial institutions apply enhanced due diligence where necessary, ensuring robust oversight of these structures. Legal arrangements present a **Medium threat** for ML.

## Terrorist Financing Threats



45. There were a few STRs filed but upon analysis the reports were found to have no credible TF evidence. Further, law enforcement reported no TF cases involving **legal persons or arrangements** during the review period. Access to accurate ownership information through BOSSs, coordinated efforts by the Compliance Unit, FIU, supervisory authorities and customer due diligence requirements under the **FTRA**, combined with professional gatekeeping by CSPs, banks, and DNFBPs, further ensure TF risks remain **Medium-low**.

## Cross-Border Considerations

46. Although no domestic cases during 2021–2025 exploited cross-border structures for ML or TF, law enforcement and supervisory stakeholders remain aware of potential international typologies. Structures involving multi-jurisdictional ownership, nominee directors, trusts, and foundations could theoretically facilitate illicit activity if misused. The risk is largely mitigated in practice by strong beneficial ownership compliance, timely access through BOSSs, and active regulatory oversight.

47. Cross-border arrangements are not currently being exploited domestically, and the **overall threat remains Medium-low**, while continued awareness of potential international misuse is necessary.

## Analytical Assessment and Ratings

48. Based on law enforcement investigations, FIU STRs, and survey feedback from corporate service providers and financial institutions, legal persons are assessed as presenting a **Medium threat for ML**. This reflects factors such as structural complexity, and cross-border activity. Legal arrangements including trusts, and foundations are also assessed as **Medium ML threat**, supported by professional administration, licensing requirements, and the absence of documented misuse.

49. TF risk is **Medium-low for both legal persons and legal arrangements**, consistent with the jurisdiction's profile, strong beneficial ownership framework, and coordinated oversight by supervisory and law enforcement authorities. While certain structural or transactional features could theoretically facilitate misuse, these risks are effectively mitigated through gatekeeping, strong internal controls, and inter-agency coordination.



## Overall Threat Ratings

## Table 7 shows the overall threat ratings

| Entity Type | Money Laundering Threat | Terrorist Financing Threat | Rationale |
|---|---|---|---|
| Legal Persons | Medium | Medium-Low | Documented criminal activity (4 investigations, 3 prosecutions,), mostly domestic companies; mitigated by BOSSs, CSP oversight, and high BO compliance. Potential for abuse and structuring of transactions. |
| Legal Arrangements | Medium | Medium-Low | No cases reported; no MLAT requests; structural risk mitigated by professional administration, licensing, and supervisory oversight. Potential use and abuse – opaque structures |
| Legal Persons & Arrangements – TF | Medium | Medium-Low | No TF cases reported; No MLAT requests; robust BO transparency, inter-agency coordination, and compliance requirements. However, high cross-border usage, significant volumes and transactions. |

## Qualitative Insights and Perceived Risks

### *(Survey responses, supervisory feedback, industry perceptions, awareness of typologies)*

50. Survey responses from corporate service providers and financial institutions provided additional context to the quantitative findings. Respondents identified several risk factors, including links to high-risk jurisdictions (60.7 percent), gaps in beneficial ownership transparency during customer due diligence (53.3 percent), weaknesses in customer due diligence (52.5 percent), and the involvement of politically exposed persons (45.9 percent).

51. Survey feedback also indicates a high degree of familiarity with beneficial ownership requirements, nominee arrangements, and regulatory obligations, supporting the effectiveness of professional gatekeeping and supervisory oversight. Legal arrangements, including trusts and foundations, are observed in practice to hold ownership interests in companies, although sectoral exposure varies and involvement in real estate transactions remains limited.



52. Having assessed the ML and TF threats posed by legal persons and arrangements, including documented ML cases, STR patterns, and cross-border considerations, the analysis now turns to sector-specific vulnerabilities. This step assesses how structural, and transactional characteristics of entities may create exposure to illicit activity, and evaluates the effectiveness of regulatory, supervisory, and professional controls in mitigating these risks. This is complemented by ongoing supervisory activities to assess and reinforce the effectiveness of these controls in practice.

## *Step 3*

## Vulnerabilities

### Overview

53. Legal persons and legal arrangements in The Bahamas operate within a robust regulatory and professional framework. These entities including domestic companies, IBCs, trusts, foundations, and specialized investment vehicles exhibit structural diversity and, in some cases, multi-layered ownership, cross-border holdings, and involvement of nominees or politically exposed persons (PEPs). While the use of these entities can theoretically introduce vulnerabilities, survey responses, working-group feedback, and supervisory observations indicate that they generally reflect legitimate commercial, investment, or estate-planning activity rather than misuse.

54. Across sectors, legal persons reflect largely **medium ML vulnerability**, particularly where complex or cross-border structures exist. For legal arrangements the analysis also identified **medium ML vulnerability with few exceptions** reflecting professional administration, regulatory oversight, and effective safeguards. Measures including verification of ultimate beneficial ownership, selective client acceptance, and ongoing monitoring support a mature compliance culture that mitigates inherent risks and ensures alignment with international AML/CFT standards. Within the broader supervisory framework, competent authorities undertake ongoing assessment

of institutional controls, with identified areas for enhancement addressed through corrective action plans that are monitored to completion, supporting the effective implementation of applicable requirements across the jurisdiction.

## Financial and Corporate Service Providers (FCSPs)



55. Finance and Corporate Service Providers (FCSPs) in The Bahamas serve as key gatekeepers in the formation and administration of legal persons, including domestic companies, IBCs, and other corporate vehicles. These entities are often used for investment structures, estate planning, and cross-border operations. Survey responses and working-group feedback indicate that FCSP client portfolios are predominantly international, featuring complex ownership chains, layered holding structures, and connections to politically exposed persons (PEPs). While these features reflect legitimate commercial activity, they introduce inherent structural risks, particularly when ownership spans multiple jurisdictions.

56. In practice, these inherent risks are actively mitigated. FCSPs report routinely delaying or refusing client onboarding where ultimate beneficial ownership cannot be verified. Internal risk-rating systems and enhanced due diligence are applied for clients associated with PEPs, high-risk jurisdictions, or unusually complex ownership arrangements. Multi-layered structures are generally linked to legitimate multinational operations, investment holdings, or succession planning rather than attempts to obscure ownership. Where opacity arises, it is typically procedural or jurisdictional and addressed through information-sharing with regulatory and law enforcement authorities. Overall, legal persons administered by FCSPs are assessed as **medium-high vulnerability**, reflecting structural complexity coupled with non-residency of clients that is effectively mitigated through professional gatekeeping, statutory beneficial ownership obligations, and supervisory oversight.

57. Taking into account the high ML vulnerability of legal persons in the FCSP sector arising from complex international structures, alongside the application of robust AML controls, regulatory oversight, and risk-based supervisory practices, the final ML vulnerability was recorded as **medium-high.**. This reflects both the inherent structural vulnerabilities of the sector and the effectiveness of professional and regulatory mitigations.

### Legal Arrangements

59. Trust service providers administer legal arrangements such as express trusts, foundations, and other fiduciary structures. These arrangements inherently separate legal and beneficial

ownership and often involve multiple layers of trustees, protectors, and beneficiaries. Survey responses and working-group feedback confirm that the majority of arrangements are professionally managed by licensed trust service providers or Registered Representatives, under oversight from the CBB.



60. The sector's risk profile is influenced by the international nature of clients and structures. Most clients are non-residents, with Latin America and Brazil in particular representing the largest source of business. High-risk clients account for 19.1% of accounts in the Banks & Trust sub-sector and 7.3% in the Trust sub-sector, with PEPs comprising 4.8% and 7.2% respectively. Despite this, transparency is maintained through rigorous identification, verification, and ongoing monitoring of all relevant parties, supported by statutory and supervisory frameworks. No instances of misuse were reported during the review period. Supervisory processes assess whether all relevant parties to legal arrangements are identified and verified, and whether this information is maintained in a manner that supports an accurate and current understanding of control and ownership.

61. Given the professional administration, licensing requirements, and strong supervisory expectations, legal arrangements administered by TCSPs are effectively controlled. Inherent Risks are mitigated through a combination of regulatory oversight and robust AML/CFT procedures, and the sector's arrangements are therefore assessed as having residual Medium-**High** ML vulnerability, reflecting structural complexity that is well-managed.

## Banking Sector

### Domestic Banking

#### Legal Persons

62. In the domestic banking sector, legal persons constitute a substantial portion of the customer base. These include domestic companies, IBCs, holding companies, and other corporate vehicles that are established for commercial operations, investment activities, and wealth structuring. Survey responses and feedback from working groups indicate that inherent vulnerabilities within this customer segment primarily arise from complex ownership and control structures, cross-border activity, and exposure to PEPs. These characteristics reflect the Bahamas' position as an international financial center and are frequently associated with legitimate multinational business operations, group treasury functions, and cross-border investment arrangements.

63. Banks report that the challenges linked to legal persons mainly concern inconsistent or delayed documentation from foreign jurisdictions and the need to reconcile multiple layers of ownership across different legal systems. Importantly, these challenges do not result in the acceptance of opaque structures. Banks routinely delay onboarding, apply enhanced due diligence, or decline business where beneficial ownership information cannot be independently verified. Robust internal governance frameworks, automated transaction monitoring systems, risk-rating methodologies, and escalation protocols for higher-risk customers further support effective oversight.



64. The statutory obligations under the FTRA, combined with supervisory oversight by the CBB and centralized access to beneficial ownership information, ensure that these vulnerabilities are actively managed. Dual verification mechanisms, where beneficial ownership data collected during onboarding is cross-checked against registered agent records and the Beneficial Ownership Secure system (BOSSs), provide an additional layer of control and assurance.

65. Based on the structural complexity, cross-border features, and professional mitigation measures consistently applied across the domestic banking sector, legal persons are assessed as M**edium vulnerability**. While there is theoretical exposure to ML, the combination of strong compliance frameworks, regulatory oversight, exchange control, and proactive risk management functions, ensures that risks are well understood and systematically addressed.

## Legal Arrangements

66. Within the domestic banking sector, legal arrangements such as trusts, foundations, and fiduciary structures are primarily utilized for asset holding, wealth management, and estate planning purposes. However this relates primarily to Authorised Dealers who would have resident and non-resident clients requiring such legal arrangements as opposed to most of the traditional commercial banks that primarily provide retail banking to resident clients. These arrangements inherently create a separation between legal ownership and beneficial ownership and may involve multi-layered relationships among settlors, trustees, protectors, and beneficiaries. Banks consistently approach these structures with heightened scrutiny, applying enhanced due diligence at the outset and maintaining ongoing oversight throughout the client relationship.

67. Survey responses and working-group feedback confirm that legal arrangements presented to domestic banks are almost exclusively professionally administered by licensed trust service providers subject to regulatory oversight. Banks require comprehensive identification and verification of all relevant parties, ensuring that beneficial ownership is fully understood and

monitored. Account activity is actively reviewed on an ongoing basis, and no challenges were reported in obtaining beneficial ownership information during the assessment period. Importantly, no cases of misuse of legal arrangements were identified, reflecting the sector's robust governance and adherence to AML/CFT requirements.

68. The combination of professional administration, licensing obligations for trust service providers, and strong supervisory expectations contributes to effective risk mitigation. The controlled structural complexity of these arrangements, coupled with rigorous internal controls and regulatory oversight, ensures that vulnerabilities are limited. Accordingly, legal arrangements in the domestic banking sector are assessed as having low ML vulnerability, reflecting that while the arrangements are inherently complex, the sector's practices and oversight substantially mitigate potential exposure to ML risks.



## International Banking

### Legal Persons

69. The international banking sector in The Bahamas comprises international banks and international bank and trust companies, which operate primarily under the supervision of the CBB. These institutions are incorporated as legal persons under domestic corporate legislation and include entities that provide private banking, wealth management, investment banking, and treasury services to non-resident clients. A defining feature of these institutions is their engagement in cross-border transactions, with clients from multiple jurisdictions, which increases the complexity of ownership structures and the potential for exposure to financial crime.

70. High-risk customers, including non-resident clients and politically exposed persons (PEPs), represent a significant portion of the client base, reflecting the sector's focus on private banking and wealth management. While these factors introduce inherent vulnerabilities, regulatory oversight by the CBB, including licensing, ongoing supervision, and adherence to AML/CFT standards, ensures that the use of legal persons within the international banking sector is effectively monitored. The CBB requires these institutions to implement comprehensive internal controls, robust risk-rating methodologies, and transaction monitoring systems. Onboarding processes are designed to verify the identities and beneficial ownership of legal persons at account opening and on an ongoing basis, with enhanced scrutiny applied to higher-risk clients and cross-border flows.

71. Because of the sector's business model, the volume of high-value transactions, and its international client base, legal persons in the international banking sector are considered to have a **residual medium money laundering vulnerability**. This rating reflects the combination of cross-border activity, exposure to high-risk clients, and the complexity of structures, while accounting for the mitigating effect of strong regulatory risk based programs (onsite and off-site surveillance), internal controls, and a comprehensive beneficial ownership statutory requirements.



## Legal Arrangements

72. Within the international banking sector, legal arrangements such as trusts, foundations, and fiduciary structures are frequently utilized for asset holding, wealth management, and estate planning. These arrangements often involve multi-layered relationships among settlors, trustees, protectors, and beneficiaries, creating a separation between legal ownership and beneficial ownership that can increase theoretical exposure to ML/TF risks.

73. Survey responses and working-group feedback indicate that these arrangements are almost exclusively professionally administered by licensed trust service providers subject to regulatory oversight. International banks implement enhanced due diligence measures, require full identification and verification of all relevant parties, and maintain ongoing monitoring of account activity. The CBB's supervision reinforces compliance by ensuring that institutions adhere to AML/CFT obligations and accurately maintain beneficial ownership records. Historical data and regulatory engagement indicate that the administration of these legal arrangements is well controlled, with minimal instances of misuse or gaps in oversight.

74. As a result of professional administration, licensing requirements, and strong supervisory expectations, legal arrangements within the international banking sector are assessed as having **Medium ML residual vulnerability**, reflecting controlled structural complexity, cross-border transactions, dollar volumes of assets under administration (trusts) mitigated by strong regulatory and supervisory risk-based programs, institutional risk, compliance and internal controls programs.

## Private Trust Companies (PTCs)

75. PTCs are registered with the CBB, which requires them to appoint a Registered Representative. These representatives, who are either licensed Banks and Trust Companies or FCSPs registered with the Central Bank, are responsible for ensuring compliance with statutory obligations and regulatory standards. The Central Bank actively oversees PTCs through both on-site and off-site supervision, reinforcing accountability and mitigating potential misuse. This oversight includes verifying that PTCs maintain

accurate beneficial ownership records, adhere to customer due diligence requirements, and implement AML/CFT/CPF controls.

76. The structure of PTCs involves concentrated control over family assets and administration of trusts, which can create inherent vulnerabilities. Concentrated control within a single-family trust, combined with exemptions from full trust company licensing, may create gaps in oversight compared to fully licensed trust companies. The potential opacity of family-focused arrangements can increase ML/TF/PF risk if beneficial ownership is not fully transparent or regularly monitored.

77. These vulnerabilities are mitigated by the dual-layer supervisory model: the professional accountability of Registered Representatives and the CBB's regulatory oversight. Historical data and regulatory feedback indicate that PTCs are generally well-administered, with limited exposure to misuse. As of 31 December 2025, 186 PTCs were registered, administered by 31 Registered Representatives, of which 24 are licensed Banks and Trust Companies or Trust Companies. The concentration of administration under licensed and regulated entities ensures consistent adherence to AML/CFT standards, while also limiting potential gaps in governance that could otherwise arise from single-family arrangements.

78. Overall, while PTCs are inherently legal persons, the nature of their services administering trusts requires additional scrutiny. The PTCs are subject to strong regulatory oversight and professional administration, mitigating ML/TF vulnerabilities associated with their operations. PTCs are assessed as having residual **medium ML vulnerability**, reflecting controlled structural complexity rather than any demonstrated exposure.

## Securities Sector

79. The inherent ML risk for the securities sector in The Bahamas is assessed as **medium-high**. Factoring in the mitigating controls the residual ML risk rating is **Medium**. This reflects a combination of factors identified through sector-level assessment, including the use of legal persons and arrangements, the presence of cross-border clients, large and complex portfolios, and a diverse range of financial products and services. Firms registered under multiple activity categories arranging deals, advising, managing, and dealing in securities exhibit the highest inherent vulnerability, with the interaction of multiple business lines increasing exposure to layered and complex transactions. Firms engaged in Contracts for Differences (CFDs) were similarly identified as higher risk due to rapid transactional activity, product leverage, and non-face-to-face client interactions, requiring heightened supervisory attention.

81. These inherent risks are mitigated through strong AML controls and targeted regulatory oversight. The SCB employs a risk-based supervisory framework that incorporates both quantitative and qualitative indicators, focusing on the firms, client segments, and products that present the greatest potential for ML exposure. Firms are required to maintain comprehensive internal controls, implement robust customer due diligence processes, and verify beneficial ownership at onboarding and on an ongoing basis. Compliance functions and staff training programs are structured to detect and respond to emerging ML risks, including those arising from complex corporate vehicles and layered legal arrangements. Within the Securities Sector, market-level oversight of marketplaces and clearing facilities provides additional mitigation. While these entities are central to the functioning of the capital markets, they are assessed as **medium to medium-low** risk, reflecting their **internal role rather than direct client-facing activities**.

### Legal Persons

82. In the securities sector, legal persons used by firms such as companies incorporated to hold, manage, or trade securities were assessed separately from arrangements. The analysis considered the size, structure, and activity of these entities, as well as their interaction with cross-border clients and international markets. While legal persons are inherently high risk due to their potential to layer transactions and obscure ownership structures, the SCB's supervisory framework, strong entry controls, and compliance expectations effectively mitigate these risks. Ongoing monitoring and verification of beneficial ownership at onboarding and periodic updates reduce opportunities for misuse, and internal compliance and risk functions are structured to detect anomalies in transactional activity linked to these entities. Accordingly, legal persons in this sector were deemed to possess **Medium ML vulnerability.**

### Legal Arrangements

83. Legal arrangements such as trusts or other fiduciary structures are assessed separately due to their distinct characteristics and potential for complexity. The sector-level assessment highlighted that arrangements can be used to facilitate layering or to separate beneficial ownership from direct control of assets, which can increase inherent risks. However, securities firms are required to implement enhanced due diligence for arrangements, maintain robust documentation, and report beneficial ownership in accordance with SCB requirements. Supervisory focus on these arrangements takes into account their **intended function**, the type of underlying clients, and how they fit into investment strategies. Combined with staff training and risk-based internal controls, these measures help mitigate the higher inherent risks associated with legal arrangements in the sector, resulting in a residual **Medium ML vulnerability**.

## Investment Funds

### Legal Persons

84. Legal persons are widely used within the investment funds sector through the establishment of fund vehicles, corporate investment structures, and special-purpose entities designed to facilitate collective investment and portfolio management. As at 31 December 2022, 682 investment funds were registered in The Bahamas and administered by both restricted and unrestricted investment fund administrators licensed by the Securities Commission of The Bahamas. These structures commonly involve cross-border investors and institutional clients, reflecting the international nature of the sector.

85. Survey responses and supervisory assessments indicate that inherent vulnerabilities arise from the scale and complexity of fund structures, the international composition of investors, and the significant volume and liquidity of fund transactions. Investment funds frequently operate through layered corporate arrangements and may involve non-face-to-face relationships with investors located across multiple jurisdictions. These characteristics can increase exposure where beneficial ownership or investor profiles require enhanced scrutiny.

86. Differences in risk exposure are observed between restricted and unrestricted investment fund administrators. Unrestricted administrators typically manage a larger number of funds and maintain more diverse client bases, while also having the capacity to license certain categories of funds that they administer. These factors contribute to a higher inherent risk profile relative to restricted administrators, which generally operate with smaller and more controlled client bases.

87. Despite these structural characteristics, the sector benefits from a well-developed regulatory framework under the Investment Funds Act and ongoing supervisory oversight by the Securities Commission. Administrators are required to implement comprehensive AML/CFT controls, including investor due diligence, transaction monitoring, and ongoing verification procedures. Taking these factors into account, legal persons within the investment funds sector are assessed as presenting **Medium-High inherent ML vulnerability**, which is mitigated by regulatory risk-based supervision programs and institutional controls, resulting in a **final residual ML vulnerability of medium**.

### Legal Arrangements

88. Legal arrangements may also arise within the investment funds sector through fiduciary or trust-based structures that support fund governance, asset holding, or investment management arrangements. In some cases, trusts or other fiduciary vehicles may be used alongside corporate fund structures to facilitate asset protection, succession planning, or cross-border investment strategies.



89. The use of such arrangements introduces structural features including the separation of legal and beneficial ownership and the potential involvement of multiple parties such as trustees, protectors, or beneficiaries. However, these arrangements are generally professionally administered and operate within a regulated investment framework overseen by licensed fund administrators and subject to supervisory review by the Securities Commission.

90. Working-group feedback and supervisory assessments indicate that transparency is maintained through established due diligence procedures, investor verification requirements, and regulatory reporting obligations. Fund administrators are responsible for ensuring that all relevant parties are properly identified and that investment structures remain consistent with applicable regulatory and compliance requirements.

91. Given the professional administration of these arrangements and the strong regulatory environment governing investment funds in The Bahamas, vulnerabilities associated with legal arrangements in this sector are effectively managed. Accordingly, legal arrangements within the unrestricted investment funds sector are assessed as presenting **structural exposure,** resulting in a ML vulnerability of **medium-high for** the sub-sector.

## Real Estate Sector

### Legal Persons

92. Legal persons are frequently used in the real estate sector for property acquisition, development, and investment purposes. These entities include domestic companies, international entities, and special-purpose vehicles established to hold individual assets. Inherent vulnerabilities primarily stem from layered ownership structures, foreign investment, and changes in ownership or control occurring close to transaction completion. Such features can complicate transparency if not carefully managed.

93. Feedback from surveys and working-group discussions indicates that real estate professionals exercise structured due diligence, including verification of beneficial ownership, scrutiny of funding sources, and enhanced checks for transactions involving higher-risk

jurisdictions or complex corporate structures. Transactions are often delayed or declined when ownership information is incomplete or clients fail to provide satisfactory documentation. The regulatory framework further supports transparency through statutory registration requirements, oversight of licensed professionals, and information-sharing with financial institutions involved in transaction settlement. While legal persons in the real estate sector may present theoretical exposure due to their transactional nature and the use of corporate vehicles, these structural vulnerabilities are well understood and actively managed. Accordingly, legal persons in the real estate sector are assessed as having residual **Medium ML vulnerability**, reflecting inherent structural characteristics that are effectively contained through established professional and regulatory oversight by SRB - Bahamas Real Estate Association and the Compliance Commission of The Bahamas.



### Legal Arrangements

94. Legal arrangements in the real estate sector are primarily used for asset holding or estate planning, typically involving trusts or foundations that hold property on behalf of beneficiaries. These arrangements introduce structural features such as layered ownership and the separation of legal title from beneficial interest. Survey respondents and working-group participants consistently noted that these arrangements are professionally administered and subject to regulatory and fiduciary oversight.

95. Transactions involving trusts or foundations are subject to enhanced scrutiny, including verification of trustees, beneficiaries, and sources of funds. During the review period, no instances of misuse involving legal arrangements in the real estate sector were reported. Ongoing supervision and reliance on licensed fiduciary service providers help maintain transparency and reduce exposure. Accordingly, legal arrangements in the real estate sector are assessed as having **Medium ML vulnerability** reflecting structural complexity that is well-managed through professional administration, regulatory oversight, and compliance requirements.

Table 8 presents the inherent and final ML risk ratings for each sector, alongside the overall sector vulnerability, reflecting the ***combined*** assessment of legal persons and legal arrangements within each sector.

| Sector | Inherent ML Risk | Residual ML Risk | Overall Sector exposure LE&ANRA ratings |
|---|---|---|---|
| Domestic Banking | Medium | Medium-Low | Medium-Low |
| International Banking | Medium-High | Medium | Medium |
| Private Trust Companies (PTCs) | Medium-High | Medium | Medium |
| Trust Service Providers | High | Medium-High | Medium |
| Financial and Corporate Service Providers (FCSPs) | High | Medium-High | Medium-High |
| Securities Sector | Medium-High | Medium | Medium |
| Restricted Investment Fund Administrators | Medium-High | Medium | Medium |
| Unrestricted Investment Fund Administrators | High | Medium-High | Medium |
| Real Estate Sector | Medium-High | Medium | Medium |



## Cross-Sector Observations

96. Across the finance and corporate service providers, banking, real estate, and credit union sectors, survey responses and working-group feedback indicate that legal persons with cross-border ownership or multi-jurisdictional structures are generally well understood and effectively managed through established compliance practices. Finance and corporate service providers, in particular, administer entities with international ownership chains, nominee directors, and layered holding structures. These entities apply internal controls, enhanced due diligence measures, and verification of ultimate beneficial ownership as part of routine onboarding and ongoing monitoring.

97. Trust Service Providers have an inherently high ML risk due to their international nature, the risk profile of trustees, beneficiaries and the complex nature of some of the structures involved. Must customers of trust licensees are international/non-residents, with Latin America registered as the predominant region in terms of number of customers, and Brazil as the notable leader.

98. Structural complexity and cross-border features contribute to largely **medium ML vulnerability** for legal persons in the across the banking, trust services including PTCs, securities

and real estate sectors. These exposures are actively mitigated through professional administration, reliance on centralized beneficial ownership information, supervisory oversight and institutional internal controls. Legal arrangements across the sectors with few exceptions are assessed as presenting **Medium** residual ML vulnerability reflecting licensing requirements, professional fiduciary administration, and ongoing regulatory monitoring.



99. These observations indicate that while cross-border structures and complex ownership arrangements introduce theoretical exposure, the strong compliance culture, professional gatekeeping, and internal safeguards maintained across the financial and non-bank service sectors, significantly mitigated the risk of misuse.

100. As shown in Table 8, Inherent risks across sectors are effectively managed through professional administration, supervisory oversight, and regulatory safeguards, with legal persons and legal arrangements combined exhibiting M**edium residual ML vulnerability with the exception of that identified in FCSPs**.

## Conclusions

### Money Laundering and Terrorist Financing Risks

101. ML risks associated with legal persons and arrangements are concentrated in specific use cases rather than systemic in nature. These risks most often involve complex, cross-border structures with layered ownership or nominee participation. While these arrangements are frequently legitimate and commercially justified, they require enhanced scrutiny to manage the additional exposure created by structural complexity.

102. TF risk associated with legal persons and arrangements is considered **medium low**, consistent with the jurisdiction's overall TF profile and the absence of evidence suggesting misuse of corporate or fiduciary structures. Specialized and foreign-oriented structures such as foundations, trust arrangements, and investment-related vehicles administered through corporate service providers and banks warrant continued supervisory attention due to their sophistication and potential cross-border reach. Ongoing risk-based supervision, enhanced due diligence, and embedded monitoring practices effectively manage these exposures without unduly constraining legitimate activity.

### Summary of Risk Findings

103. Legal persons and arrangements in The Bahamas operate within a well-governed, transparent, and resilient framework. Beneficial ownership compliance has steadily improved, reaching approximately 98 percent by 2025, reflecting effective supervision, timely regulatory engagement, and the embedding of reporting obligations across all entity types. Professional oversight, risk-based supervision, and coordinated law enforcement activity ensure that vulnerabilities are effectively managed. While specialized or foreign-oriented structures remain under continuous observation, internal controls and regulatory safeguards mitigate theoretical risks, ensuring that ML/TF exposures are well-contained.



## Recommendations

1. Sustain and reinforce sectoral oversight and internal controls to address inherent structural vulnerabilities in legal persons and arrangements.
2. Maintain high levels of beneficial ownership compliance and ensure ongoing verification of ultimate beneficial owners.
3. Continue risk-based supervision and enhanced due diligence for complex, cross-border, or high-value structures without unduly restricting legitimate activity.
4. Strengthen coordination and information sharing among regulators, law enforcement, and competent authorities to ensure timely response to emerging trends.
5. Periodically review sectoral practices, procedures, and international typologies to refine mitigation measures and maintain alignment with evolving AML/CFT standards.