



## NOTICE

### **Amendments to the Guidelines on the Prevention of Money Laundering & Countering the Financing of Terrorism Following the Recent Changes in the AML/CFT Legislation**

In the area of anti-money laundering and countering terrorist financing legislation, there have been significant changes to the legislation in recent months. The Proceeds of Crime Act, 2000, Financial Transaction Reporting Act, 2000 and the Anti-Terrorism Act 2004 have been repealed and replaced with the Proceeds of Crime Act, 2018 (the POCA 2018), Financial Transaction Reporting Act, 2018 (the FTRA 2018), and Anti-Terrorism Act, 2018 (the ATA 2018) respectively. Additionally, the Financial Transactions Reporting Regulations, 2000 and the Financial Transactions Reporting (Wire Transfers) Regulations, 2015 (“the Wire Transfers Regulations”) were also revoked and replaced with new Regulations.

This new compendium of legislation has brought about a number of changes, which resulted in the need to amend the Bank’s *Guidelines on the Prevention of Money Laundering & Countering the Financing of Terrorism*. The Central Bank has today published revised Guidelines which have been re-titled the *Guidelines on the Prevention of Money Laundering, Countering the Financing of Terrorism and Proliferation Financing* (the AML/CFT/PF Guidelines). The AML/CFT/PF Guidelines take effect immediately and outline the Bank’s mandatory minimum customer due diligence requirements for all banks, trust companies, co-operative credit unions, non-bank money transmission businesses and payment service providers (collectively referred to as Supervised Financial Institutions (SFIs)).

Some of the key changes to the AML/CFT/PF Guidelines are summarised below.

**(a) Interpretation**

Both the POCA 2018 and the FTRA 2018, introduce new terms and definitions including, ‘beneficial owner’, ‘identified risk’, ‘Identified Risk Framework’ and ‘document’ These terms and definitions have been added to the Interpretation section

of the AML/CFT/PF Guidelines, while other terms have been amended to provide further clarity.

**(b) Terrorism, Terrorist Financing and the Proliferation of Weapons of Mass Destruction**

The heading of this section which was formerly “Terrorism and Terrorist Financing”, has been renamed “Terrorism, Terrorist Financing and the Proliferation of Weapons of Mass Destruction”. The ATA 2018 expands the offences related to terrorism which now include a broader range of activities such as weapons training, financial support of terrorist groups and the financing of proliferation of weapons of mass destruction. The ATA 2018 also enhances the mechanisms for international co-operation to combat these crimes and contains provisions which impose mandatory reporting obligations on SFIs.

New paragraphs have been introduced in the AML/CFT/PF Guidelines to reflect these changes under the ATA 2018.

**(c) Internal Controls, Policies and Procedures - Risk Self- Assessments**

Guidance has been expanded in this section under the new heading - “Risk Self-Assessments” - to assist SFIs in assessing their level of identified risk. In the course of conducting business, SFIs must assess the risk of money laundering and terrorist financing and other identified risks. This self-assessment must be conducted and documented to allow SFIs to determine their overall level of vulnerability to identified risks. The AML/CFT/PF Guidelines outline steps that must be considered when SFIs assess the level of risk that the business may face. This includes identifying and assessing inherent risks by adopting a comprehensive risk-based approach that takes into account the threats and vulnerabilities that have been identified through any national risk assessment.

**(d) Identification Procedures**

This section has been revised to allow for customer identification to be verified utilizing the streamlined requirements for account opening, provision of financial services and customer identification for natural persons set out in Appendix B of the Guidelines. In particular, guidance has been introduced:

- to reduce the reliance on residential mailing addresses. SFIs must now maintain at least two (i.e. two or more) current means of contacting each customer who is a natural person. This is consistent with the Financial Transactions Reporting Regulations 2018 (the FTRR 2018), which require that financial institutions obtain contact information when verifying their customer’s identity.
- to provide more flexible procedures to verify the identity of facility holders with temporary accommodation such as expatriates (for example, relying upon a

copy of a contract of employment, or banker's or employer's written confirmation); and

- which expands the list of suitable referees to include several categories of persons SFIs can rely on to verify personal details about a customer for the purpose of verification of identity.

For corporate clients, the list of mandatory documents for identification purposes has been updated for consistency with the FTRR 2018 and now includes obtaining the Memorandum of Association and Articles of Association, name and location of the registered office and registered agent of the corporate entity, and information on the description and nature of the corporate entity's business.

**(e) Simplified Due diligence**

In reference to simplified due diligence measures, the FTRR 2018 lists the category of customers where documentary evidence will not normally be required for verification of identity. The AML/CFT/PF Guidelines have been updated under the heading "Exempted Clients" to reflect that list and Bahamian dollar electronic payment instruments that have an initial maximum stored limit of B\$500 and that may be reloaded with up to B\$300 per month.

**(f) Appendices**

The appendices to the AML/CFT/PF Guidelines have been updated to include reference material which provides further guidance to SFIs.

**Appendix A** contains examples of various techniques used to launder money and finance other illicit activities ('typologies'). Some of these typologies include online fraud, international fund transfer scheme (drug trafficking) and unusual changes in customer behavior and transaction types.

**Appendix B** describes the acceptable methods of identifying individuals under the FTRA 2018 and the FTRR 2018. It sets out streamlined requirements for account opening, provision of financial services and customer identification by clarifying which reliable, independent source documents, data or information may be used to verify a customer's identity.

**Appendix E** sets out the new definition of the terms "Financial Institutions", "Designated Non-Financial Business and Professions" contained in the FTRA 2018.

The Central Bank will continue to review the AML/CFT/PF Guidelines and make any necessary revisions as the need arises. Any comments or questions regarding the changes to the Guidelines should be directed to:

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