



THE INSURANCE COMMISSION
OF THE BAHAMAS

**NATIONAL RISK ASSESSMENT
&
MUTUAL EVALUATION REPORT**

Presented by Legal Unit
February 21, 2018

National Risk Assessment

Key Risks



"Vulnerability is not weakness. And that myth is profoundly dangerous.

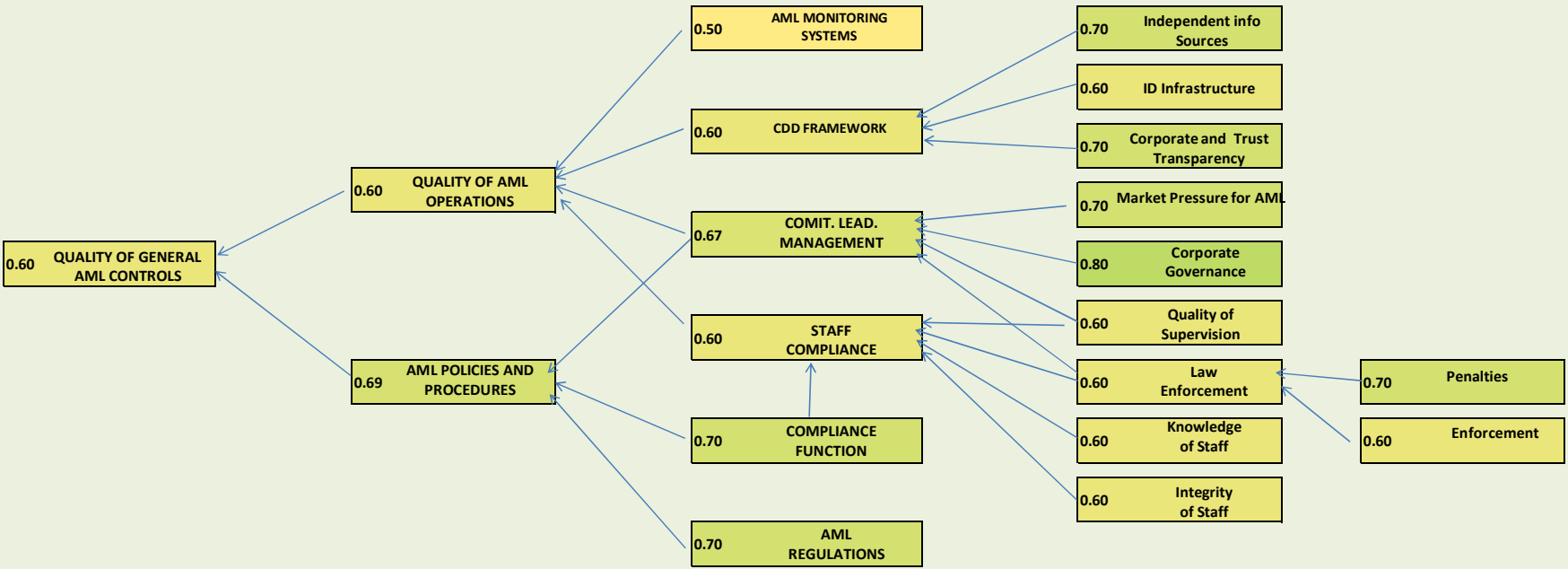
Vulnerability is the birthplace of innovation, creativity and change."

- Brene Brown

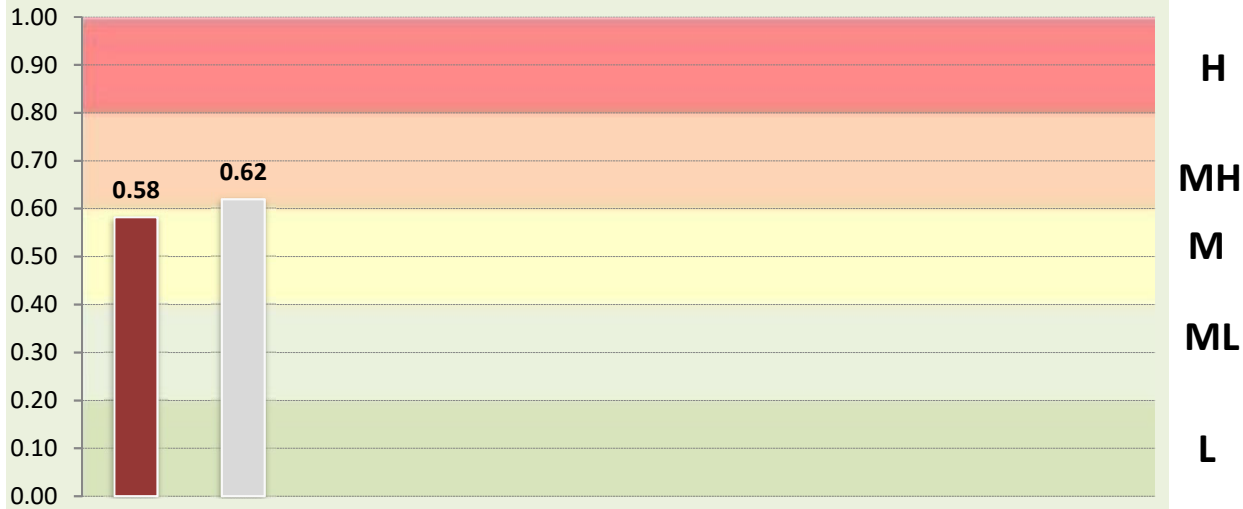
Areas of Vulnerability	IMPACT RANKING**
AML Laws and Regulations (Preventive measures and supervision)	
Quality of AML Supervision	1
Market Pressure to Meet AML Standards	
Commitment to Good Corporate Governance	
Penalties	
Enforcement of AML Obligations	5
Staff Integrity	4
Staff Knowledge	1
Compliance Function	
AML Monitoring Systems	3
Corporate and Trust Transparency	
Identification Infrastructure	6
Availability of Independent Information Sources	

***The darker the colour is, more priority the variable has.*

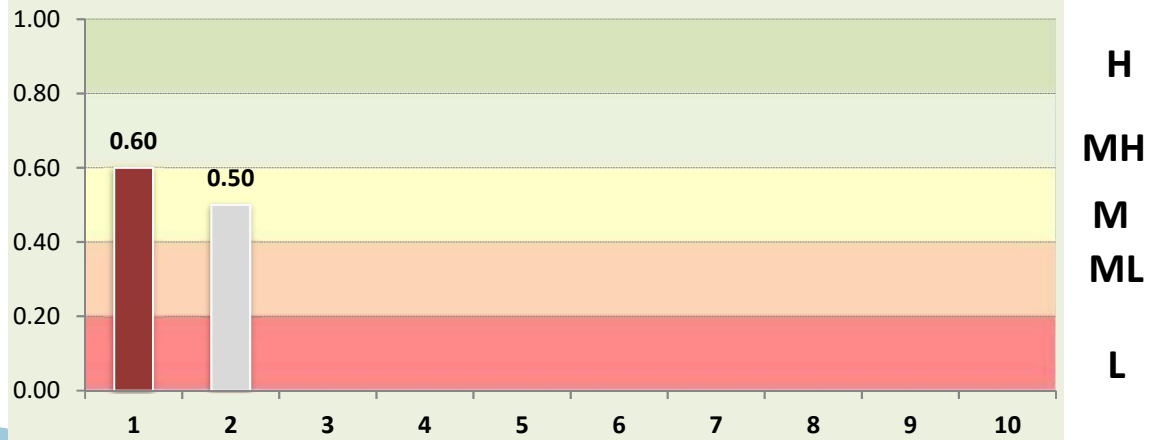
VULNERABILITY MAP



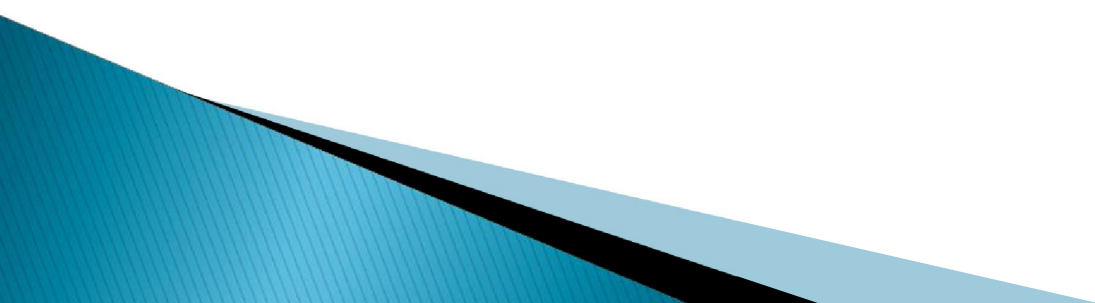
SECTOR VULNERABILITY











QUALITY OF GENERAL AML CONTROLS



Vulnerability Factors

- Quality of the AML Supervision and Staff Knowledge
 - AML Monitoring Systems
 - Staff Integrity
 - Enforcement of AML Obligations
 - Identification Information
- 

Quality of Your AML Supervision?

-  AML/CFT Policies and Procedures
-  Corporate Governance
-  Penalties for non-compliance
-  Knowledge of the employees
-  Relevant legislation
-  Compliance Culture
-  Annual AML Examination
-  ICB's onsite inspections and offsite monitoring programmes

AML Monitoring Systems

- ❖ Must adequate and appropriate monitoring systems
- ❖ Manual or Sophisticated
- ❖ Reliance on personal recognition is not sufficient



Staff Integrity

- ❖ Fraud
- ❖ Proper vetting of employees
- ❖ Lack of integrity leaves company vulnerable to the criminal element.



Enforcement of AML Obligations

Enforced By Whom?

Country

- Individual
- Management
- Staff

Administrative Penalties, POC Bill, 2018

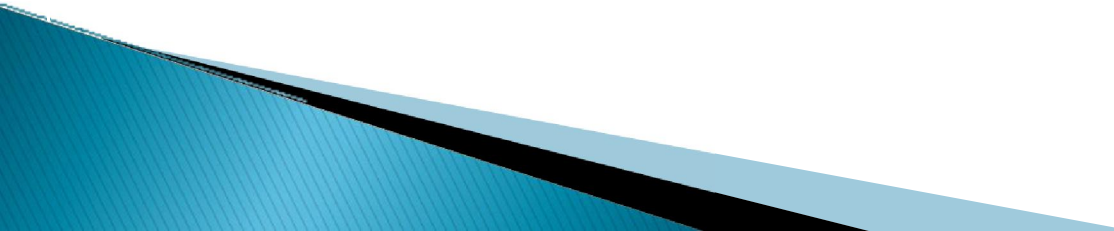
Penal sanctions, POC Bill, 2018



Supervisory Authority/Regulator

Administrative Penalties, i.e. Sanctions, Fines (s. 237, IA)

Identification Information

- Independent
 - Non-availability to companies
 - Reliance on personal recognition
 - Lack of a national ID database
 - Reliable
- 

MITIGATION OF RISKS

➤ **Financial Transactions Reporting Bill, 2018**

Comprehensive Risk Management System

Customer Due Diligence

Ongoing Due Diligence

Compliance Officers

➤ **Proceeds of Crime Bill, 2018**

Concealing or Acquisition

- On summary conviction - Up to 7 years imprisonment or a fine up to \$500,000
- On Indictment – Up to 20 years imprisonment or a fine or BOTH

Failure to Disclose and Tipping Off

- On summary conviction – Up to 12 years or a fine up to \$500,000 or BOTH
- On Indictment – Up to 20 years imprisonment or a fine or BOTH



MITIGATION OF RISKS

➤ **Enhanced Monitoring/Reporting**

Life Insurance Companies

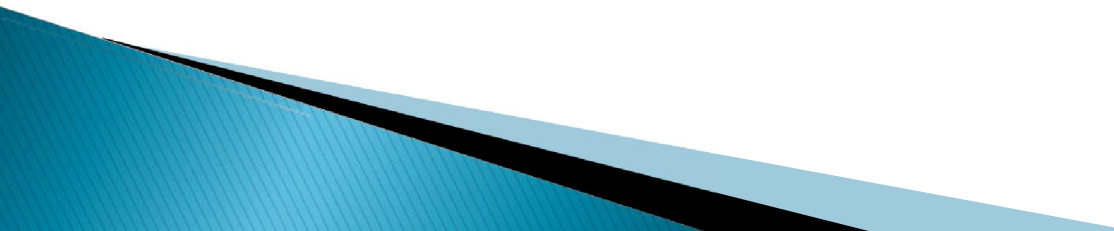
General Insurance Companies

➤ **Review of AML/CFT Guidelines**

➤ **Review of AML/CFT Examination**



NEXT STEPS ?

- ❖ AML/CFT Policies and Procedures Manual
 - ❖ BOD, Management and Staff Training
 - ❖ Conduct Risk Assessment
 - ❖ Adequate System for Vetting of Employees
 - ❖ Appoint MLRO and Compliance Officer
 - ❖ Adequate CDD and KYC policies and procedures
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CFATF MUTUAL EVALUATION REPORT

FATF RECS. DEFICIENCIES	WHAT MUST BE DONE	KEY ACTIONS TO BE TAKEN
<p>R.1 – Assessing Risk & RBA Measures have not been taken to mitigate ML/TF risks.</p>	<ul style="list-style-type: none"> • Implement a risk based approach at an institutional level. • Implement policies, controls and procedures which are approved by senior management. 	<ul style="list-style-type: none"> • Amend Legislation - FTRA • Requirements to be included in the ICB AML/CFT Guidelines
<p>R. 10 – Customer Due Diligence</p>	<ul style="list-style-type: none"> • Ongoing due diligence. • Require enhanced measures to identify and verify the identity of the beneficial owner of the beneficiary of a life insurance policy at the time of payout. • Modify guidance on Simplified CDD measures --risk assessment must include an analysis of risk by the country and the financial institution. 	<ul style="list-style-type: none"> • Amend Legislation – FTRA • Requirements to be included in ICB AML/CFT Guidelines

CFATF MUTUAL EVALUATION REPORT

FATF RECS. DEFICIENCIES	WHAT MUST BE DONE	KEY ACTIONS TO BE TAKEN
R.11 – Recordkeeping	<ul style="list-style-type: none">• Licensees must keep account files and business correspondence for five years after termination of the business relationship.• Licensees must be retain the results of any analysis undertaken of an account.	<ul style="list-style-type: none">• Requirements to be included in the ICB AML/CFT Guidelines
R. 12 – Politically Exposed Persons	<ul style="list-style-type: none">• Require Licensees to take enhanced measures when dealing with PEPS.• Distinguish between foreign or domestic PEP.• Require licensees to apply measures to family members or close associates.	<ul style="list-style-type: none">• Requirements to be included in ICB AML/CFT Guidelines

CFATF MUTUAL EVALUATION REPORT

FATF RECS. DEFICIENCIES	WHAT MUST BE DONE	KEY ACTIONS TO BE TAKEN
R.19 – High Risk Countries	<ul style="list-style-type: none"> • Ensure that licensees conduct Enhanced Due Diligence (EDD) and apply it proportionate to the risks from countries named by the FATF. 	<ul style="list-style-type: none"> • Requirements to be included in the ICB AML/CFT Guidelines
R. 24 – Transparency and Beneficial Ownership of Legal Persons	<ul style="list-style-type: none"> • Beneficial ownership information must be maintained by companies so that they are accurate and updated on a timely basis. • Companies must authorize a natural person to provide BO information to, and cooperate with competent authorities. • Supervisory authorities and licensees must be required to keep information on BO for five years after the date on which a company is dissolved or otherwise ceases to exist. 	<ul style="list-style-type: none"> • Legislation – FTRA • Requirements to be included in ICB AML/CFT Guidelines
R. 26 – Regulation and Supervision of Financial Institutions	<ul style="list-style-type: none"> • Recommendation that companies be required to seek ICB approval for changes at the senior management level. • Risk-based supervision must demonstrate that consideration was given to ML/TF risks of financial groups or country. 	Legislative Amendment to Insurance Act under consideration