



Ministry of
Finance



Office of the
Attorney General &
Ministry of Legal Affairs

Joint Press Release from the Ministry of Finance and The Office of The Attorney General and Ministry of Legal Affairs on The Government of The Bahamas Update on International Financial Services Compliance Matters

The Government of The Bahamas through the Ministry of Finance and the Office of The Attorney General wishes to provide an update on certain reviews that have been conducted on our compliance with international obligations with respect to European Union, OECD and Financial Action Task Force obligations.

European Union – Economic Substance Reporting

The Commercial Entities (Substance Requirements) Act, 2018 (“CESRA”), was entered into force in the Bahamas with effect from 1 January 2019. CESRA requires commercial entities engaged in certain relevant activities to have economic substance in the Bahamas. The Bahamas was tasked at that time with effectively implementing the requirements for economic substance.

The European Union, through its Code of Conduct Group, performs annual monitoring of the effective implementation of substance requirements under EU list criterion 2.2. Shortly after the general election, The Government received notice of certain deficiencies related to the implementation of CESRA and the economic substance reporting that were found in the annual monitoring for 2019 and 2020. Our administration has worked diligently to satisfy the concerns of the European Union, however not all deficiencies could be addressed before the determination of our review in April 2022. As of now, it is anticipated that the European Union will add The Bahamas to its list of non-cooperative jurisdictions. We are committed to closing all remaining gaps expeditiously and to seeking a re-determination of our status in the shortest possible time.

OECD – Implementation of the Common Reporting Standard

In 2016 The Bahamas committed to the automatic exchange of information (“AEOI”) under the Common Reporting Standard enacting the Automatic Exchange of Financial Account Information Act 2016 (amended in 2017 and 2019). The Bahamas commenced exchanges under the AEOI Standard in 2018. The Bahamas was tasked at the time of commencing exchanges with the effective implementation and monitoring of AEOI.

To ensure the AEOI standard is fully effective, the Global Forum reviews each jurisdiction’s domestic and international legal frameworks to ensure they are complete and reviews the effectiveness of the implementation of the standard in practice. The Global Forum conducted

such a peer review spanning 2020 – 2021. The peer review evaluated the process for effective and timely exchanges as well as ensuring that Reporting Financial Institutions correctly adhere to the due diligence and reporting procedures.

Shortly after coming to office, The Government received a report regarding the peer review conducted in 2020 – 2021. The report from the Global Forum indicated The Bahamas is compliant with respect to exchanging information in an effective and timely manner. However, there is a need to ensure that Reporting Financial Institutions correctly conduct the due diligence and reporting procedures. Despite meeting the standard required in one of the two areas reviewed, the overall rating of the technical effectiveness of the implementation of the AEOI standards is anticipated to be rated as non-compliant.

Earlier this month, a delegation from the Government of The Bahamas, inclusive of the Minister for Economic Affairs and the Attorney General, and technical officers from both Ministries attended the OECD peer review report presentation in Paris to advocate on behalf of The Bahamas for a reconsideration of the report. While the OECD Peer Review Group did not change the overall finding on the effectiveness of the implementation of the AEOI standards in practice as non-compliant there was agreement on a strategy to remedy all deficiencies identified in the peer review report in the shortest period. We will then seek to be re-assessed in early 2023.

FATF 40 Recommendations on anti-money laundering compliance

The FATF 40 Recommendations set out a comprehensive and consistent framework of measures that countries should implement to combat money laundering and terrorist financing, as well as the financing of the proliferation of weapons of mass destruction.

The Bahamas, a founding member of the Caribbean Financial Action Task Force (CFATF) and currently a member of its Steering Group, has been under enhanced monitoring since the adoption of its Mutual Evaluation Report in 2017. In December 2021 the CFATF re-rated the Bahamas in relation to Recommendations 6, 7, 24, and 33 from Partially Compliant to Largely Compliant and Recommendations 19, 22, 26, 27, and 28 from Partially Compliant to Compliant. Today, The Bahamas is Compliant with 18 Recommendations and Largely Compliant with 20 – combined they represent 38 out of the 40 FATF Recommendations.

The Bahamas reported back to the CFATF on the actions it has taken since its mutual evaluation and its 4th Enhanced Follow-up Report above, addressing specifically its partial compliance rating on two Recommendations: Recommendation 15 addressing Virtual Asset Service Providers, and Recommendation 8 addressing Not for Profit institutions. The re-rating evaluation will take place at the CFATF plenary meetings in November of this year. The Bahamas Government is cautiously optimistic that it will achieve a re-rating for Recommendations 8 and 15 which would result in being compliant or largely compliant in all 40 FATF Recommendations.

The Government is committed to our continued engagement and collaboration with industry as we work assiduously to address these matters.

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Commonwealth of The Bahamas