

Legal and Regulatory Developments During 2003

(Excerpted from the Central Bank of The Bahamas' 2003 Annual Report)

Anti-Money Laundering

At the end of December, 2003, the Government enacted amendments to the Financial Transactions Reporting Act (FRTA) and the Financial Transactions Reporting Regulations (FTRR), which provided the basis for financial institutions to implement a risk based approach to customer due diligence and anti-money laundering procedure. The amendments realign the Bahamas' KYC regime with the Financial Action Task Force's (FATF's) Revised 40 Recommendations issued in June 2003 with specific regard to the implementation of a risk rating framework for assessing the money laundering risks that client relationships pose to licensees. To assist licensees with the implementation of the amended framework, the Central Bank will issue new *Guidelines for Anti-Money Laundering and "Know-Your-Customer"* Procedures during 2004, to address, among other things, minimum requirements for a risk rating framework.

Counter-Terrorism

The Bahamas is highly conscious of the need to play its part in the heightened global efforts to prevent the use of the financial system to further the ends of terrorism.

A comprehensive Terrorism Bill was placed before Parliament during the second half of 2003, to address the Eight Special Recommendations of the FATF. Once enacted the law should remedy those areas where based on the review of The Bahamas' responses to terrorism in the Self Assessment Survey completed in 2002 the FATF found partial compliance with six of the Special Eight Recommendations,

non-compliance with one and the non-applicability of one Recommendation. In addition to formally criminalizing terrorism and making it a predicate crime under the anti-money laundering regime, the law will provide for the seizure and confiscation of terrorist assets; reporting of suspicious transactions related to terrorist financing; and strengthening of existing mechanisms for cooperation in this regard between The Bahamas and other countries.