



Speaking Notes – Attorney-General

BACO Money Laundering Reporting Officers (“MLRO”) Day

14 October 2021

Theme - “Critical Time = Decisive Measures. Effective
Financial Crime Compliance Programs for 2021 and
Beyond”

Good morning to the senior executives of BACO, President Maria Dorsett and team, members of this august body. It is indeed my pleasure to bring remarks and I wish to thank the President and her team of officials for inviting me to address you on this your annual MLRO Day. As you know, I claim to be a longtime friend of this great organization. BACO is an institution that has demonstrated itself to be maybe one

of the most successful and effective professional associations if not in this hemisphere, certainly this region. Because of the efforts of BACO, and events like we are holding today, Bahamian compliance professionals are thought of as the very best in their field, where colleagues from throughout the world call you to consult, get advice and answers. I want to congratulate the executive of BACO for keeping up the tradition of excellence, causing our Bahamian compliance professionals to be the very best.

Your theme for today - “Critical Time = Decisive Measures. Effective Financial Crime Compliance Programs for 2021 and Beyond” – is a most timely one. Certainly ensuring compliance with international best practices does demand decisive measures, but I also want to emphasize survival in this era of what seems to be constant change also requires decisive measures in product development, new offerings and active promotions in order to effectively differentiate

ourselves and ensure a growing industry. I don't want you to forget that as we advance ourselves as an industry and as a country. Innovation is still the tool of success and growth.

I want to touch on our recent history of compliance as a country, compliance with the various international initiatives that we face daily. Over the last 5 - 6 years, The Bahamas has been in a 'Fight for our Lives" mode. We have endured 3 black or Grey Listings aimed at our financial services sector - The EU non-cooperative countries on Tax Matters, The Financial Action Task Force (FATF) Grey Listing and the EU Anti-money laundering (AML) Blacklisting. I am pleased to say that we have been delisted from all except the EU AML Blacklist with the tremendous efforts of the public and private sectors working together to tackle the challenges that face us. We are working with the EU Director General for Financial Stability to get the country delisted from this last list. We hope to receive some feedback in short order.

During this crucial period The Bahamas have passed a compendium of legislation –

- a) updating financial sector regulatory, company, anti-money laundering, anti-terrorism, anti-proliferation statutes; and,
- b) containing new legislation covering the common reporting standards, commercial entities (substance reporting), automatic exchange of account information with EU Global Forum members and The Bahamas and US foreign tax agreement.

As can be deduced from the heavy legislative agenda noted above, our tax regime, our anti-money laundering, anti-terrorism, and anti-proliferation regimes have been strengthened and enhanced to meet the many varied challenges The Bahamas has faced. The compendium of legislation has assisted in bringing the country's regulatory and AML/CFT/CFP regimes on par with international best

practices. However, implementing the laws and undergirding them with the appropriate sustaining infrastructure and manpower has been difficult with a country that has been battling back from –

- a) Hurricane Dorian which wiped out about 25% of our GDP and devastated two of our most critical economic engines – Abaco and Grand Bahama; and,
- b) the destruction that befell our economy and people from the worst Pandemic to hit mankind – COVID19.

Notwithstanding the difficulties faced over the last 6 years, The Bahamas has held its own and we have been able to reflect the resilient nature of our people as we were able to work through the FATF International Cooperation Review Group process and successfully exit the Grey-listing on the 18 December 2020. We do believe that we have also been able to submit a good case for the country to be de-listed from the EU AML blacklist and is currently awaiting further

communication from the office of the EU Director General for the Financial Stability regarding same. We are quite aware that all efforts ought to be concentrated on such delisting due to the negative impact it has had on financial services and the wider economy in transacting business with Europe.

It is a critical time for divisive measures in the fight to secure our financial centre from being in the ‘Head Lights’ of international agencies and economic blocks such as the OECD and the EU. Some of these measures have already bore fruit and some are ‘in play’ as noted before with the EU DG Financial Stability. We will need the industry and professionals such as yourselves and all stakeholders of the financial sector to do your part in ensuring as ‘gatekeepers’, entities and individuals that seek to abuse our financial institutions, products and services are snared in their schemes and scams and any penetration of our systems

(security, payments, IT and beneficial ownership portals) are able to be expeditiously identified and tightly secured.

The recently released Pandora Papers revealed that 14 service providers from BVI, Seychelles, Belize, Hong Kong, Panama, Switzerland, and the United Arab Emirates were penetrated, and confidential beneficial ownership information stolen from the IT systems.

Immediately upon the release of the Pandora Papers, BDO Consultants, provider responsible for hosting our Beneficial Ownership Secure Search system (“BOSSs”), was contacted to give us a report on the system’s security and to identify any breaches if any occurred. We were notified and given a comprehensive report that reflected no breaches occurred. The system’s audit revealed a solid infrastructure protecting the BO information uploaded to BOSSs. We can least afford to have any financial service provider’s IT system being

breached and information stolen. We were fortunate that none of your institutions were targeted. We wish to stress here that now is the time to perform those security IT audits and attend to any weakness identified. This is one of those decisive measures that need to be taken by all stakeholders to ensure that no breach appears in the gates. Breaches like that of the Pandora Papers can deal a devastating blow to financial centres such as ours. One of our defenses against such reputation risk is strong IT security and the next needed defense is that of strong effective compliance programs.

Dr. Cassandra Nottage, the National Identified Risk Framework Coordinator, noted in her thesis on Compliance Strategies to Reduce the Risk of Money Laundering Terrorist Financing that “Ineffective compliance programs expose banking and trust companies to increased risk of money laundering (ML) and terrorist financing (TF)”. Accordingly, in

order to have 'Effective Financial Crime Compliance Programs for 2021 and Beyond' you as Compliance professionals will have to work closely with your risk management units. There should be less of 'MY' territory and more of 'Our' territory. What am I saying – simply this – NO MORE SILO THINKING or PLANNING.

Risk and Compliance Units (if not combined) should work together and focus on ensuring that a comprehensive enterprise-wide risk assessment is carried out. If one has been done and is more than 2 – 3 years old, a refresher should be undertaken to ensure any emerging risks are captured. The assessment is needed to identify operational risks which may influence the AML/CFT compliance strategies and to ensure that AML/CFT strategies cover all related risks (i.e., customers, geographical, delivery channels, and IT).

Such Compliance strategies should comprehensively address compliance issues in an objective and open manner and include (a) onboarding clients - customer due diligence and risk rating, (b) client relationship and transaction monitoring, (c) ongoing management and staff training, (d) risk assurance and measurement systems; (e) adequate information technology systems for effectively support the risk and compliance functions; and (f) adequate resources (inclusive of trained staff) to manage and oversee the AML/CFT strategies.

As our industry shifts into new and exciting offerings and services, you will likewise have to initiate decisive measures to ensure those new areas are protected – you as the gatekeeper. As you can see, the financial services industry is currently in a material shift, being less dependent on traditional private banking and wealth management, and experiencing diversified growth in areas such as virtual

assets, related virtual asset businesses and even into variations of traditional business like CFD broker dealers. All these bring different challenges to you as the gatekeepers of our industry, both the historical industry and the new evolving financial services industry of The Bahamas.

It is on you as compliance officers, Money Laundering Reporting Officers, and BACO as the esteemed institution it is to not only ensure that you are understanding the new suite of legislative initiatives, but understand the risk framework that exists with these new business lines that are attracted to our country.

Between sector shifts, geographical shifts and product development, I believe that the future is bright in financial services, it may be different, even evolving but we will grow and we will evolve. The Government looks to cooperate with the private sector and the regulators, working jointly to chart

a new path in financial services, taking advantage of evolving opportunities, being progressive and aggressive, ensuring that we not only survive, but the financial services industry of the Bahamas, and all its participants thrive.

These are truly exciting and demanding times, and I as always, have the utmost confidence in you to not only create an opportunity in this new era of financial services, but to define the best practices that should exist in these areas. You will continue to see reformist changes in our industry, new ideas, new offerings and new opportunities. We collectively must ensure that we continue this momentum but also protect the country we love so much.

I would dare to say that without full consideration of all components listed we will not have 'Effective Financial Crime Compliance Programs for 2021 and Beyond' but in parallel a policy of growth and evolution. I would hope I have given

food for thought and deliberation. I wish to thank you for this opportunity once again to address you as the incoming Attorney General and I pledge my Office's support in the critically important work of AML/CFT/CFP compliance while also defining the way forward for all of us.