SUMMARY OF CHANGES IN AML/CFT GUIDELINES

TOPIC	CHANGE	RATIONALE
Internal AML/CFT Procedures	Licensees are now required to implement a risk-based framework for addressing AML/CFT vulnerabilities.	FATF Recommendations require financial institutions to implement a risk rating framework to mitigate AML/CFT risks.
Internal Controls and Foreign Branches and Subsidiaries	Where overseas branches or subsidiaries do not have appropriate CDD measures in place, they are required to apply appropriate additional measures to manage the ML/TF risks, and inform their home supervisor/regulator. Where the minimum AML/CFT requirements of The Bahamas are less strict than those of the home country, insurance companies are required to ensure that the overseas branch/subsidiary implements the requirements of the home country, to the extent that the laws of The Bahamas permits.	FATF Recommendations for foreign branches and subsidiaries. Change is made to expand the guidance on branches.
Risk Based KYC Procedures and Customer Due Diligence on Beneficiary Information	Life insurance companies must obtain sufficient information concerning the beneficiary so that it will be able to establish the identity of the beneficiary at the time of payout or when the beneficiary intends to exercise vested rights. Verification procedures of the identity of the beneficiary(ies) should be followed as soon as the beneficiary is identified or designated **and** at the time of payout.	Further clarification of the specific measures that apply in relation to the beneficiaries of life insurance policies and other investment related insurance policies. The insurance industry was concerned that they had to verify or identify beneficiaries at the outset. This was said to be difficult because the beneficiary may change. It may be someone yet unborn. In this regard, FATF decided to provide clarification. Now, where there is a main beneficiary, the financial institutions are expected only to identify that person. If there is a class or other beneficiaries unnamed then the institution must get whatever information is available at the time of maturity. Financial institutions need to know where and to whom the payment is going. Critically, it is at the time of payout, that they must identify who is the beneficiary. This additional requirement is not really new. Presently, when it is time to make the payout, the insurance company must carry out the prescribed verification procedure in order for the person to be paid.

		The significance of the change in the Guidelines is that the Regulator MUST require its licensees to conduct CDD at the time of payout. While licensees have been carrying out the CDD in practice, the Commission has never made it a requirement; and so now we need to do so formally.
General Duty to Verify	If the insurance company is unable to complete the CDD/KYC verification procedures, it must suspend or terminate the business relationship until sufficient information can be obtained.	FATF Recommendation to make it a requirement to suspend or terminate business relationship in these circumstances.
AML Examination	An addition was made to PART V, 28(c) to assess whether the Board of Directors received AML/CFT Training. The format of the Suspicious Transaction Report was updated.	While staff, intermediaries, agents, brokers, subagents and salespersons presently receive AML/CFT training, the Guidelines now require members of the Board of Directors to also receive the same training.
Higher Risk Countries	Licensees must consult publicly available information to ensure that they are aware of countries that may pose a higher risk. Licensees to be encouraged to visit the relevant websites listed in the Guidelines.	FATF Recommendation for the Regulator to ensure that Licensees are aware of countries which may pose a higher risk.
Internal Reporting of Suspicious Transactions	All insurance companies are to ensure that all agents and brokers are integrated into the company's anti-money laundering and countering the financing of terrorism programme and should monitor their compliance with the programme.	FATF Recommendation for the Regulator to ensure that all staff, including intermediaries are aware of the company's internal AML/CFT programme and monitor their compliance.
Terrorist Financing	Licensees are required to report to the Commission any assets frozen or actions taken in compliance with the prohibition requirements of the relevant Security Council resolutions, including attempted transactions. Licensees must keep abreast of the Security Council Resolutions that designate such persons or entities.	FATF Recommendation to address the issue of the freezing and prohibiting dealing in funds or other assets of designated persons and entities. Further, this requirement is to force countries and financial institutions therein to implement targeted financial sanctions against persons and entities designated.
New Technologies	Licensees are required to assess and identify the risks prior to the launch of new products, business practices and developing technologies. They are also required to take appropriate measures to manage and mitigate the risks.	FATF Recommendation to require financial institutions to **assess** and **identify** the risks associated with the use of new and developing technologies and new products and business practices. This is a new requirement for financial institutions, particularly as it relates to non-face to face relationships.