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**SECURITIES INDUSTRY (ANTI-MONEY LAUNDERING  
AND COUNTERING THE FINANCING OF TERRORISM)  
(AMENDMENT) RULES, 2019**

**Arrangement of Rules**

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**SECURITIES INDUSTRY ACT  
(NO. 10 OF 2011)**

**SECURITIES INDUSTRY (ANTI-MONEY LAUNDERING  
AND COUNTERING THE FINANCING OF TERRORISM)  
(AMENDMENT) RULES, 2019**

The Securities Commission of The Bahamas, in exercise of the powers conferred by section 149 of the Securities Industry Act, 2011 (*No. 10 of 2011*), makes the following Rules —

**1. Citation.**

These Rules, which amend the Securities Industry (Anti-Money Laundering and Countering the Financing of Terrorism) Rules, 2015<sup>1</sup>, may be cited as the Securities Industry (Anti-Money Laundering and Countering the Financing of Terrorism) (Amendment) Rules, 2019.

**2. Amendment of rule 3 of the principal Rules.**

Rule 3 of the principal Rules is amended as follows —

- (a) in paragraph (1) —
- (i) by the deletion of the words “A regulated person” and by the substitution of the words “in compliance with the requirements of section 19 of the Financial Transactions Reporting Act, 2018 (*No. 5 of 2018*), a regulated person”;
  - (ii) by the insertion immediately after the word “appoint”, of the words “a compliance officer, who shall be the”;
  - (iii) by the insertion immediately after the word “controls”, of the words “related to identified risks as defined by section 2 of the Financial Transactions Reporting Act, 2018 (*No. 5 of 2018*);
  - (iv) in subparagraph (a), by the deletion of the words “money laundering or the financing of terrorism” and the substitution of the words “identified risks”;

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<sup>1</sup>S. I. No. 96 of 2015.

- (v) in subparagraph (b), by the insertion immediately after the word “activity”, of the words “related to an identified risk”;
- (vi) in subparagraph (c), by the insertion immediately after the word “activity”, of the words “related to an identified risk”;
- (b) in paragraph (2), by the deletion of the words “money laundering and terrorist financing activities” and the substitution of the words “identified risks”.

**3. Amendment of rule 4 of the principal Rules.**

Rule 4 of the principal Rules is amended —

- (a) in paragraph (1), by the insertion immediately after the words “must be” of the words “qualified and”;
- (b) in paragraph (2), by the insertion immediately after the words “has sufficient authority”, of the words “and experience”;
- (c) in paragraph (3), by the deletion of the words “money laundering or terrorist financing” and the substitution of the words “transaction or any proposed transaction relating to the proceeds of criminal conduct or which constitutes an offence under the Proceeds of Crime Act, 2018 (*No. 4 of 2018*), or which is an identified risk”.

**4. Amendment of rule 5 of the principal Rules.**

Rule 5 of the principal Rules is amended —

- (a) by the renumbering of rule 5 as rule 5A; and
- (b) by the insertion immediately before rule 5A, of the new rule 5 as follows —

**“5. Self-Assessment for risk.**

- (1) A regulated person shall assess its own risk for vulnerability to breaches of the Proceeds of Crime Act, 2018 (*No. 4 of 2018*) and the Anti-Terrorism Act (*No. 27 of 2018*), in relation to —

- (a) any client and his country or jurisdiction;
- (b) the country or jurisdiction in which it operates; and
- (c) its products, services, transactions and delivery channels, business practices and technology,

and shall take appropriate measures to manage and mitigate those risks, taking into account any national risk assessment and any regulatory guidance issued by the Commission.

- (2) A regulated person shall conduct the risk assessment required under subparagraph (1) —
  - (a) prior to the launch of a new or existing product or business practice;
  - (b) prior to the use of new, existing or developing technologies; and
  - (c) where the regulated person is part of a group, when there is a major event or development in the management or operation of the group.
- (3) The risk assessment shall be a part of a comprehensive risk management system approved by senior management which shall be consistent with the scope of the regulated person's activities and incorporate continuous identification, measurement, monitoring and controlling of risks.”.

**5. Amendment or rule 6 of the principal Rules.**

Rule 6 of the principal Rules is deleted and substituted as follows —

**“6. Standard.**

- (1) A regulated person shall verify the identity of every customer, new and existing, and of every person acting on behalf of every customer.
- (2) In verifying the identity of every customer, a regulated person shall use reliable, independent source documents, data or information taking into account the outcome of any relevant risk assessment.
- (3) When verifying the identity of every customer, a regulated person shall —
  - (a) satisfy itself that the —
    - (i) customer is who they claim to be; or
    - (ii) person acting on behalf of a customer is who they claim to be and is properly authorised to act on behalf of the customer; and
  - (b) ensure that sufficient information is obtained —
    - (i) on the nature of the business that the customer expects to undertake; and

(ii) concerning any expected or predictable pattern of transactions.

(4) For the purpose of verifying the identity of every customer, a regulated person shall ensure that verification is carried out on an ongoing basis to ensure that all information concerning the customer's identity is kept up to date.

**6. Amendment of rule 7 of the principal Rules.**

Rule 7 of the principal Rules is amended by the deletion of paragraph (3).

**7. Amendment of rule 8 of the principal Rules.**

Rule 8 of the principal Rules is amended —

(a) by re-lettering paragraph (b) as paragraph (c) and inserting immediately after paragraph (a), the new paragraph (b) as follows —

“(b) in the case of an existing customer, before conducting any further business or transactions by the customer;”;

(b) by re-lettering paragraphs (c) and (d) as paragraphs (d) and (e).

**8. Amendment of rule 22 of the principal Rules.**

Rule 22 of the principal Rules is amended —

(a) in paragraph (2) —

(i) by the renumbering of subparagraphs (a) and (b) as subparagraphs (b) and (c); and

(ii) by the insertion immediately after the chapeau, and before subparagraph (b), of the new subparagraph (a) as follows —

“(a) that financial institution is not suspected of breaching the identified risk framework or where the customer is not suspected of having committed an identified risk offence;”;

(b) in paragraph (3), by the insertion immediately after the word “shall”, of the word “immediately”.

**9. Amendment of rule 23 of the principal Rules.**

Rule 23 of the principal Rules is amended —

(a) in subparagraph (b) of paragraph (5), by the deletion of the words “section 34 of”; and

(b) in subparagraph (b) of paragraph (6), by the deletion of the words “listed in the *First Schedule* of the Financial Transactions Reporting

Act” and by the substitution of the words “which is not listed by the Identified Risk Framework Steering Committee established under section 6(1) of the Proceeds of Crime Act, 2018 (*No. 4 of 2018*) (hereinafter referred to as the “IRF Steering Committee”)”.

**10. Amendment of rule 24 of the principal Rules.**

Rule 24 of the principal Rules is amended in paragraph (2) —

- (a) by the deletion of subparagraph (d) and the substitution of the following —
  - “(d) a foreign financial institution located in a jurisdiction which is —
    - (i) not listed by the IRF Steering Committee; and
    - (ii) regulated by a body having equivalent regulatory and supervisory responsibilities as the Securities Commission, the Central Bank of The Bahamas, the Insurance Commission, or the Gaming Board;”;
- (b) in subparagraph (g), by the deletion of the words “specified in the *First Schedule* to the Financial Transactions Reporting Act” and the substitution of the words “which is not listed by the IRF Steering Committee”.

**11. Amendment of rule 25 of the principal Rules.**

Paragraph (1) of rule 25 of the principal Rules is deleted and substituted as follows —

- “(1) A regulated person shall apply enhanced customer due diligence measures for categories of customers, business relationships, or transactions that it —
  - (a) considers to present a higher risk for money laundering or terrorist financing; or
  - (b) suspects a customer is from a country which is listed by the IRF Steering Committee.”.

**12. Amendment of rule 26 of the principal Rules.**

Rule 26 of the principal Rules is amended by the insertion immediately after paragraph (2) of the following new paragraph —

“(3) A regulated person shall conduct enhanced ongoing monitoring of the business relationship with a politically exposed person.”.

**Made this 19<sup>th</sup> day of February, 2019.**

**Signed**  
**ROBERT LOTMORE**  
**Chairman**  
**Securities Commission of The Bahamas**