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INVESTMENT FUNDS (ANTI-MONEY LAUNDERING, COUNTERING THE FINANCING OF TERRORISM AND COUNTERING THE FINANCING OF PROLIFERATION) RULES, 2026

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INVESTMENT FUNDS ACT, 2019
(NO. 2 of 2019)

INVESTMENT FUNDS (ANTI-MONEY LAUNDERING, COUNTERING THE FINANCING OF TERRORISM AND COUNTERING THE FINANCING OF PROLIFERATION) RULES, 2026

The Securities Commission of The Bahamas, in exercise of the powers conferred by sections 114 and 160(1) of the Investment Funds Act, 2019, makes the following rules —

PART I - PRELIMINARY

1. Citation.

These Rules may be cited as the Investment Funds (Anti-Money Laundering, Countering the Financing of Terrorism and Countering the Financing of Proliferation) Rules, 2026.

2. Interpretation.

(1) In these Rules —

"**Act"** means the Investment Funds Act, 2019 *(No. 2 of 2019)*;

"**AML/CFT/CPF"** means anti-money laundering, countering the financing of terrorism and countering the financing of proliferation;

"**Anti-Terrorism Act"** means the Anti-Terrorism Act, 2018 *(No. 27 of 2018)*;

"**beneficial owner"** has the meaning assigned to it under section 2 of the Financial Transactions Reporting Act;

"**Commission**" means the Securities Commission of The Bahamas as continued under section 10 of the Securities Industry Act, 2024 (*No. 39 of 2024*);

"**Compliance Officer"**, in relation to a licensed investment fund administrator, means the person appointed under section 39(1) of the Act with the prior approval of the Commission under section 39(4) of the Act;

"**compliance programme"** means the programme of policies, procedures, systems and controls that an investment fund is required to establish under rule 5, or that a licensed investment fund administrator is required to establish under rule 35;

"**customer"** has the meaning assigned to it under section 2 of the Financial Transactions Reporting Act;

"**delegation agreement"** means the written agreement under which a function is delegated under rule 13(1) or rule 30(1);

"**designated person or entity"** means a designated entity as defined under section 2 of the Anti-Terrorism Act;

"**eligible introducer"** has the meaning assigned to it under rule 24;

"**FATF"** means the Financial Action Task Force;

"**financial group"** means a group that consists of a parent company or of any other type of legal person exercising control and coordinating functions over the rest of the group, together with the branches and subsidiaries of the group that are subject to AML/CFT/CPF policies and procedures at the group level;

"**Financial Intelligence Unit"** means the body continued under section 3 of the Financial Intelligence Unit Act, 2023 (*No. 54 of 2023*);

"**Financial Transactions Reporting Act"** means the Financial Transactions Reporting Act, 2018 *(No. 5 of 2018)*;

"**foreign investment fund administrator"** means an investment fund administrator that is licensed or registered and operating as an investment fund administrator in accordance with the laws of a prescribed jurisdiction, as provided under section 35(2)(c) of the Act;

"**fund Compliance Officer"** means the individual appointed as the Compliance Officer of an investment fund under rule 8;

"**fund Money Laundering Reporting Officer"** means the individual appointed as the Money Laundering Reporting Officer of an investment fund under rule 8;

"**high-risk jurisdiction"** means a country or jurisdiction that is —

(a) listed by the IRF Steering Committee; or

(b) identified by the FATF as a high-risk jurisdiction subject to a call for action;

"**identified risk"** has the meaning assigned to it under section 2 of the Financial Transactions Reporting Act;

"**International Obligations (Economic and Ancillary Measures) Act"** means the International Obligations (Economic and Ancillary Measures) Act *(Ch. 16)*;

"**investment fund"** means a regulated investment fund as defined under section 3 of the Act;

"**investment fund administrator"** has the meaning assigned to it under section 3 of the Act, and includes both a licensed investment fund administrator and a foreign investment fund administrator;

"**investment-side functions"** means the measures described under rule 29;

"**investor"** has the meaning assigned to it under section 3 of the Act and includes a prospective investor and a person to whom an equity interest is to be transferred;

"**IRF Steering Committee"** means the Identified Risk Steering Framework Committee established under section 6 of the Proceeds of Crime Act;

"**jurisdiction under increased monitoring"** means a country or jurisdiction identified by the FATF as a jurisdiction under increased monitoring;

"**licensed investment fund administrator"** means the holder of an unrestricted or a restricted investment fund administrator's licence granted under section 35(1) of the Act;

"**Money Laundering Reporting Officer"**, in relation to a licensed investment fund administrator, means the person appointed under regulation 70 of the Regulations and rule 41(2);

"**operator-administered fund"** means —

(a) a self-administered investment fund as defined under section 3 of the Act; or

(b) a SMART fund that, under the rules establishing its parameters and requirements, is administered by its operators or by a person that is not an investment fund administrator;

"**principal office provider"** means a person with whom arrangements for a principal office in The Bahamas are made under rule 15;

"**Proceeds of Crime Act"** means the Proceeds of Crime Act, 2018 *(No. 4 of 2018)*;

"**Regulations"** means the Investment Funds Regulations, 2020 (*S.I No. 10 of 2020*);

"**senior management"** means —

(a) in relation to an investment fund, its operators or any person to whom the operators have delegated, in writing, the authority to give the approval concerned; and

(b) in relation to a licensed investment fund administrator, its Chief Executive Officer appointed under section 38 of the Act and the other officers responsible for the management of its business;

"**suspicious transaction report"** means a report made to the Financial Intelligence Unit under section 25 of the Financial Transactions Reporting Act or under any other enactment;

"**targeted financial sanctions"** means sanctions imposed against a person or entity under section 3A of the International Obligations (Economic and Ancillary Measures) Act, to freeze or restrain money, assets or property and any prohibition on making money, assets or property available, directly or indirectly, to or for the benefit of that person or entity; and

"**without delay"** means —

(a) in relation to the screening of persons when the lists of designated persons or entities are updated, and to the freezing of funds or other assets under rule 31, within twenty-four hours; and

(b) in any other case, as soon as practicable and in any event within one business day.

(2) In these Rules, references to "money laundering, financing of terrorism and financing of proliferation" or "AML/CFT/CPF", where used in relation to the assessment, management or mitigation of risk, shall be construed as including all identified risk as defined in the Financial Transactions Reporting Act.

(3) These Rules are in addition to, and do not derogate from, any obligation of a regulated person or of any other person under the Financial Transactions Reporting Act, the Proceeds of Crime Act, the Anti-Terrorism Act, the International Obligations (Economic and Ancillary Measures) Act or any other enactment concerning money laundering, financing of terrorism and financing of proliferation.

3. Application.

(1) These Rules set out the anti-money laundering, anti-terrorism financing and financing of proliferation standards prescribed by the Commission for the purposes of section 114 of the Act, and apply to —

(a) every investment fund;

(b) every operator of an investment fund;

(c) every licensed investment fund administrator, to the extent provided under Part IX;

(d) every foreign investment fund administrator, in respect of the investment funds that it administers, to the extent provided under rule 14 and rule 47; and

(e) every investment fund manager, to the extent provided under Part X.

(2) Nothing in these Rules requires an investment fund manager, whether or not it is registered under the Securities Industry Act to establish a compliance programme in respect of its business, and the obligations of an investment fund manager under these Rules are those set out under Part X.

(3) An investment fund manager that is registered under the Securities Industry Act remains subject, in respect of its business, to the obligations that it is required to meet under that Act.

PART II - RESPONSIBILITY AND GOVERNANCE OF THE INVESTMENT FUND

4. Responsibility of the investment fund and its operators.

(1) An investment fund is responsible for compliance with these Rules in respect of its investors, its investments and its operations.

(2) The operators of an investment fund shall ensure that the investment fund complies with these Rules.

(3) An investment fund may delegate the performance of a function under these Rules under Part IV or rule 30, but the investment fund and its operators remain responsible for the performance of that function and for compliance with these Rules.

5. Compliance programme.

(1) An investment fund shall establish, implement and maintain a compliance programme that is proportionate to its nature, size, complexity, structure and risk profile.

(2) A compliance programme shall be in writing and include —

(a) the risk assessment required under rule 6;

(b) policies and procedures for the due diligence of investors under Part V, including, where rule 16 (2) applies, for the oversight of the due diligence conducted by its investment fund administrator;

(c) policies and procedures for investment-side functions under Part VI;

(d) policies, procedures, systems and controls for compliance with targeted financial sanctions under Part VII;

(e) procedures for the internal reporting of knowledge or suspicion to the fund Money Laundering Reporting Officer and for the making of suspicious transaction reports;

(f) procedures for record keeping under Part VIII;

(g) the appointment, functions and reporting lines of the fund Compliance Officer and the fund Money Laundering Reporting Officer;

(h) a description of each function delegated under Part IV or rule 30, the person performing it and the arrangements for its oversight;

(i) the training programme required under rule 12; and

(j) procedures for reporting to the operators and for the escalation of matters relating to identified risks and targeted financial sanctions.

(3) An investment fund shall review its compliance programme at least once in every year and within twenty-eight days following —

(a) a material change in its investment strategy, investor base, distribution channels or service providers;

(b) a finding of the Commission that identifies a material deficiency; or

(c) any other event that may affect the adequacy or effectiveness of the compliance programme.

6. Risk assessment of the investment fund.

(1) An investment fund shall identify, assess and understand the identified risks to which it is exposed, having regard to —

(a) the types of investors, including the jurisdictions in which they are resident or established and the extent to which investors subscribe through nominees or intermediaries;

(b) the jurisdictions in which the investment fund is offered and the channels through which it is distributed;

(c) its investment objective and policies, the types of assets in which it invests and the counterparties with which it deals;

(d) its structure, including any master fund, feeder fund or side-pocket arrangement;

(e) its service providers and the functions delegated to them;

(f) any new product, business practice, delivery mechanism or technology that it uses or proposes to use; and

(g) any national risk assessment and any guidance issued by the Commission or the Financial Intelligence Unit.

(2) A risk assessment under paragraph (1) shall be documented, approved by the operators and kept up to date.

(3) An investment fund shall update its risk assessment within twenty-eight days of the occurrence of an event that may materially affect the identified risks to which it is exposed, including an economic or geopolitical development affecting its investors, investments or counterparties.

(4) An investment fund shall not assess the geographic risk associated with a country or jurisdiction as low where that country or jurisdiction is subject to targeted financial sanctions, is a high-risk jurisdiction or is a jurisdiction under increased monitoring.

(5) An investment fund shall make its risk assessment available to the Commission upon request.

7. Approval and oversight by operators.

(1) Operators of an investment fund shall —

(a) approve the compliance programme and the risk assessment before the investment fund commences operations and approve any material change to either;

(b) review the compliance programme and the risk assessment at least once in every year;

(c) receive and consider the reports of the fund Compliance Officer made under rule 9;

(d) satisfy themselves that each person performing a function under Part IV or rule 30 has the expertise and resources to perform it;

(e) ensure that deficiencies identified by the fund Compliance Officer or the Commission are remedied within a time appropriate to the risk those deficiencies present; and

(f) maintain written records of approvals, reviews and decisions under this rule.

(2) An operator shall not be appointed as the fund Compliance Officer or the fund Money Laundering Reporting Officer.

PART III – COMPLIANCE OFFICER, MONEY LAUNDERING REPORTING OFFICER AND TRAINING

8. Appointment of fund Compliance Officer and fund Money Laundering Reporting Officer.

(1) An investment fund shall, with the prior written approval of the Commission, appoint an individual as its fund Compliance Officer and an individual as its fund Money Laundering Reporting Officer, whether directly or by arrangement with its investment fund administrator under rule 13.

(2) The same individual may, but need not, be appointed as both the fund Compliance Officer and the fund Money Laundering Reporting Officer.

(3) An individual appointed under paragraph (1) shall —

(a) be at senior management level;

(b) be fit and proper, as determined under regulation 3 of the Regulations, and possess the qualifications, skills and experience appropriate to the role;

(c) have knowledge and understanding of the laws of The Bahamas concerning money laundering, financing of terrorism, financing of proliferation and targeted financial sanctions, and of the identified risks to which the investment fund is exposed;

(d) have the authority, independence and resources to perform the role objectively, and direct access to the operators; and

(e) have timely access to the records, systems and information of the investment fund and of any person performing a function on its behalf.

(4) Subject to paragraph (5) and rule 7(2), an individual appointed under paragraph (1) may be —

(a) the Compliance Officer or the Money Laundering Reporting Officer of the investment fund administrator of the investment fund or, in the case of a foreign investment fund administrator, the individual who performs the equivalent function;

(b) an individual provided for that purpose by the investment fund administrator of the investment fund; or

(c) any other individual engaged by the investment fund who meets the requirements of paragraph (3).

(5) An operator-administered fund shall not make an appointment under paragraph (4)(a) or (b), and shall appoint as its fund Compliance Officer and its fund Money Laundering Reporting Officer individuals who are located in The Bahamas.

(6) An application for the approval of the Commission under paragraph (1) shall —

(a) be made in writing before the appointment takes effect;

(b) state the name, qualifications and experience of the individual proposed; and

(c) include a statement that the individual meets the requirements of paragraph (3).

(7) The investment fund or, where its investment fund administrator provides the fund Money Laundering Reporting Officer, the investment fund administrator shall register the fund Money Laundering Reporting Officer with the Financial Intelligence Unit.

(8) Where the office of the fund Compliance Officer or the fund Money Laundering Reporting Officer becomes vacant, the investment fund or, where the investment fund administrator provides that officer, the investment fund administrator shall —

(a) notify the Commission in writing within seven days of the vacancy; and

(b) within thirty days of the vacancy, apply for the approval of the Commission under paragraph (1) for the appointment of a replacement.

9. Duties of the fund Compliance Officer.

A fund Compliance Officer shall —

(a) oversee the implementation and operation of the compliance programme, including functions delegated under Part IV;

(b) monitor compliance with these Rules and the compliance programme and report any material breach or deficiency to the operators without delay;

(c) report in writing to the operators at least once in every year on the operation and effectiveness of the compliance programme, including the results of monitoring, the findings of any examination by the Commission and the status of remedial action;

(d) ensure that the training required under rule 12 is delivered; and

(e) act as the point of contact with the Commission on matters relating to the compliance programme.

10. Duties of the fund Money Laundering Reporting Officer.

(1) A fund Money Laundering Reporting Officer is responsible for receiving and assessing reports of knowledge or suspicion relating to the investment fund and for the making of suspicious transaction reports.

(2) Where, upon assessing a report, the fund Money Laundering Reporting Officer knows, suspects or has reasonable grounds to suspect that a transaction, attempted transaction or proposed transaction involves the proceeds of criminal conduct, money laundering, the financing of terrorism or the financing of proliferation, the fund Money Laundering Reporting Officer shall ensure that a suspicious transaction report is made to the Financial Intelligence Unit.

(3) The fund Money Laundering Reporting Officer shall keep a record of each report received, the assessment made and the reasons for any decision not to file a suspicious transaction report.

11. Suspicious transaction reporting.

(1) An investment fund shall ensure that —

(a) its operators;

(b) its investment fund administrator and the employees of that administrator who perform functions for the investment fund;

(c) its investment fund manager; and

(d) any other person performing a function under these Rules on its behalf,

report to the fund Money Laundering Reporting Officer, without delay, any knowledge or suspicion that an investor, a counterparty or any other person dealing with the investment fund is engaged, or is attempting or proposing to engage, in money laundering, the

financing of terrorism or the financing of proliferation.

(2) In establishing and operating its systems for the detection of suspicious transactions and suspicious activity, an investment fund shall have regard to indicators of suspicious activity and to any guidance issued by the Commission or the Financial Intelligence Unit.

12. Training.

(1) An investment fund shall ensure that its operators, the fund Compliance Officer, the fund Money Laundering Reporting Officer and the persons who perform functions on its behalf under these Rules receive training at least once in every year.

(2) Training shall be proportionate to the identified risks and to the responsibilities of the recipient and shall cover —

(a) the laws of The Bahamas concerning money laundering, financing of terrorism, financing of proliferation and targeted financial sanctions;

(b) the identified risks to which the investment fund is exposed;

(c) the recognition and handling of suspicious transactions and of matters relating to targeted financial sanctions;

(d) the compliance programme, including due diligence, record keeping and internal reporting; and

(e) the roles and responsibilities of the persons involved in the compliance programme.

(3) Training under this rule may be delivered by the investment fund administrator of the investment fund or by any other person engaged for that purpose.

(4) An investment fund shall keep records of the training delivered, including the dates, the persons who attended and the content of the training.

PART IV - DELEGATION, RELIANCE AND PRINCIPAL OFFICE

13. Delegation of functions.

(1) An investment fund may, with the prior written approval of the Commission, delegate the performance of any of its functions under these Rules to —

(a) its investment fund administrator; or

(b) a licensed investment fund administrator, a person registered under the Securities Industry Act or a corporate service provider licensed under the Financial and Corporate Service Providers Act that is not its investment fund administrator,

under a written delegation agreement, except that an operator-administered fund shall not delegate a function under this rule to any of its operators.

(2) The functions that an investment fund may delegate under paragraph (1) include —

(a) the preparation of its compliance programme and risk assessment;

(b) the screening of persons under Part VII;

(c) the provision of the fund Compliance Officer or the fund Money Laundering Reporting Officer;

(d) record keeping; and

(e) the delivery of training.

(3) An investment fund may adopt as its compliance programme the compliance programme of the person to whom it delegates under paragraph (1), where that programme is supplemented by the risk assessment of the investment fund and by any measures required to address the risks identified in it, and is approved by the operators.

(4) An application for the approval of the Commission under paragraph (1) shall be made in writing and shall be accompanied by a copy of the proposed delegation agreement.

(5) An investment fund shall not delegate a function under paragraph (1) unless it is satisfied that the delegate has the expertise, systems and resources to perform the function under these Rules.

(6) A delegation agreement shall specify —

(a) each function delegated and the standards to which it is to be performed, including these Rules;

(b) whether the delegate is to provide the fund Compliance Officer or the fund Money Laundering Reporting Officer under rule 8(4);

(c) the frequency and content of reports by the delegate to the operators and to the fund Compliance Officer;

(d) the arrangements for reporting knowledge or suspicion to the fund Money Laundering Reporting Officer;

(e) that information obtained in performing the delegated functions, including due diligence information, will be provided to the investment fund within one business day of a request, and copies of records within five business days of a request;

(f) that the Commission may have access to the records, systems and personnel of the delegate that relate to the investment fund;

(g) that the delegate will notify the investment fund without delay of any material breach of these Rules or of any matter that may affect its ability to perform the delegated functions;

(h) that the delegate will not sub-delegate a delegated function without the prior written consent of the investment fund; and

(i) the arrangements on termination, including the transfer of records.

(7) An investment fund shall obtain the prior written approval of the Commission for any amendment to a delegation agreement that adds a function or changes the delegate, and shall notify the Commission in writing within fourteen days of any other material amendment to, or the termination of, a delegation agreement.

(8) An investment fund shall monitor the performance of each delegated function and the operators shall take appropriate action where a function is not performed under the delegation agreement or these Rules.

14. Foreign investment fund administrator.

(1) An investment fund shall not delegate a function under rule 13 to a foreign investment fund administrator where —

(a) the foreign investment fund administrator is established in a high-risk jurisdiction; or

(b) any law of the jurisdiction in which the foreign investment fund administrator is established would prevent it from providing the information, records and access referred to under rule 13(6)(e) and (f).

(2) A foreign investment fund administrator that administers an investment fund shall ensure that the records of the investment fund that it maintains can be produced in The Bahamas through the principal office provider within the period specified under rule 15(3).

15. Principal office provider.

(1) This rule applies to an investment fund whose principal office in The Bahamas is not provided by its licensed investment fund administrator, including an investment fund —

(a) for which arrangements for a principal office are made under section 52(a)(ii) of the Act;

(b) that is a self-administered investment fund for which a principal office is arranged under section 8(3) of the Act; or

(c) that is a SMART fund for which a principal office is arranged under the rules made for it under section 7(3) of the Act.

(2) The arrangements for the principal office of an investment fund to which this rule applies shall be made with a person that is —

(a) a licensed investment fund administrator;

(b) a bank or trust company licensed by the Central Bank of The Bahamas;

(c) a person registered under the Securities Industry Act; or

(d) a corporate service provider licensed under the Financial and Corporate Service Providers Act.

(3) An investment fund to which this rule applies shall ensure that its principal office provider holds, or is able to produce within five business days of a request by the Commission, copies of —

(a) the register of investors of the investment fund;

(b) the due diligence records and transaction records of the investment fund; and

(c) the compliance programme and the risk assessment.

(4) An investment fund to which this rule applies shall ensure that its agreement with its principal office provider enables the principal office provider to meet the requirements of paragraph (3).

PART V – DUE DILIGENCE OF INVESTORS

16. Due diligence of investors by investment fund administrator.

(1) An investment fund administrator shall conduct the due diligence on investors that regulation 61(e) of the Regulations requires to the standard set out in this Part.

(2) Where an investment fund has an investment fund administrator, the due diligence conducted by that administrator under paragraph (1) discharges the obligations of the investment fund under this Part, and the investment fund shall —

(a) through its operators and its fund Compliance Officer, satisfy itself that the due diligence is conducted to the standard set out in this Part;

(b) ensure that it and the Commission can obtain due diligence information on any investor from the investment fund administrator within one business day of a request, and copies of records within five business days of a request; and

(c) address in its risk assessment and compliance programme any risk that is not covered by the due diligence conducted by the investment fund administrator.

(3) In the case of a self-administered investment fund, the due diligence referred to under paragraph (1) is conducted by its operators, as provided under section 8(2) of the Act.

(4) An operator-administered fund that is not administered by an investment fund administrator shall conduct the due diligence required by this Part itself or through the person who administers it.

(5) The approval of the Commission under rule 13 is not required for the conduct of due diligence on investors by an investment fund administrator under this rule.

17. Risk rating of investors.

(1) An investment fund shall assess the risk profile of each investor before accepting a subscription from, or registering a transfer of equity interests to that investor.

(2) An investment fund shall maintain a risk rating framework that —

(a) categorises investors by level of risk, taking into account the type of investor, the country of residence or establishment, the complexity

of ownership and legal structure, the source of funds and of wealth, the channel through which the investor was introduced and the size and pattern of subscriptions and redemptions;

(b) establishes the level of management that may approve the acceptance of investors in each risk category;

(c) establishes due diligence requirements appropriate to each risk category;

(d) requires the periodic review and, where the risk profile changes, the re-categorisation of investors; and

(e) requires the basis of each risk rating, and of any change to it, to be documented.

18. General due diligence requirements.

(1) An investment fund shall identify and verify the identity of every investor, of every person acting on behalf of an investor and of every beneficial owner of an investor, using reliable, independent source documents, data or information.

(2) An investment fund shall —

(a) satisfy itself that a person acting on behalf of an investor is authorised to do so;

(b) obtain information on the purpose and intended nature of the investment and on the source of the funds used to subscribe; and

(c) where an investor is assessed as higher risk, take reasonable measures to establish the source of wealth of the investor and of any beneficial owner.

(3) An investment fund shall apply due diligence measures to existing investors on the basis of materiality and risk, having regard to when such measures were last applied and the adequacy of the information previously obtained.

19. When due diligence is required.

An investment fund shall apply the measures required by this Part —

(a) before accepting a subscription from, or issuing equity interests to, an investor;

(b) before registering a transfer of equity interests, in respect of the transferee;

(c) before paying redemption proceeds or a distribution, where the information held on the investor is not current or the investment fund has doubts about the information previously obtained; and

(d) whenever the investment fund knows or suspects that an investor is engaged in money laundering, the financing of terrorism or the financing of proliferation.

20. Verification pending and failure to complete due diligence.

(1) An investment fund may receive subscription monies before the verification of the identity of an investor is completed only where deferral is essential not to interrupt the normal conduct of business, the risks are managed and verification is completed as soon as reasonably practicable and in any event within thirty days of the receipt of the subscription monies.

(2) Until verification is completed, an investment fund shall not —

(a) pay redemption proceeds or distributions to or for the benefit of the investor;

(b) register a transfer of equity interests held by the investor; or

(c) release any document of title to the investor.

(3) Where an investor fails or is unable to provide adequate evidence of identity, an investment fund shall —

(a) not establish or continue the business relationship;

(b) consider whether a suspicious transaction report should be made; and

(c) return any monies received only to the account from which they were received, unless directed otherwise by an order of the court.

21. Investors that are natural persons, legal persons and legal arrangements.

(1) In respect of an investor that is a natural person, an investment fund shall obtain and verify the full name, residential address, date and place of birth and nationality of the investor.

(2) In respect of an investor that is a legal person, an investment fund shall obtain and verify —

(a) the name, legal form, proof of existence and registered office of the legal person;

(b) the names of the directors or persons holding equivalent positions and of the persons authorised to act for the legal person; and

(c) the identity of each natural person who ultimately owns ten per cent or more of the legal person or who otherwise exercises control over it, or, where no such person is identified, of the natural person holding the position of senior managing official.

(3) In respect of an investor that is a trust, foundation or other legal arrangement, an investment fund shall obtain and verify the identity of the trustee or equivalent, the settlor or founder, any protector, the beneficiaries or class of beneficiaries and any other natural person exercising effective control over the arrangement.

(4) Where a person who has been verified under this rule is replaced, the investment fund shall verify the identity of the new person before that person exercises control over the investment.

22. Investments through nominees and intermediaries.

(1) Where a investor subscribes as a nominee or intermediary for one or more underlying investors, an investment fund shall identify and verify the underlying investors under this Part.

(2) An investment fund need not verify the underlying investors under paragraph (1) where the nominee or intermediary —

(a) is an eligible introducer;

(b) has been assessed by the investment fund as presenting a risk that is not higher than standard; and

(c) has undertaken in writing to provide the identification information and records of the underlying investors to the investment fund within five business days of a request.

(3) An investment fund that is a master fund may treat each feeder fund that invests in it as its investor and, where the feeder fund or its administrator is an eligible introducer under rule 24(3)(f), paragraph (2) applies to the investors in that feeder fund.

23. Simplified due diligence.

(1) An investment fund may apply simplified due diligence measures to an investor only where —

(a) the investment fund has assessed the risk associated with the investor as low under its risk rating framework, consistent with any national risk assessment and any guidance issued by the Commission;

(b) there is no suspicion of money laundering, the financing of terrorism or the financing of proliferation; and

(c) no higher-risk circumstance referred to under rule 25 applies.

(2) An investment fund shall document the basis on which it applies simplified due diligence measures, shall cease to apply them where the conditions under paragraph (1) are no longer met and shall comply with any direction of the Commission not to apply them.

24. Reliance on eligible introducers.

(1) An investment fund may rely on an eligible introducer to perform the identification and verification required by this Part, but remains responsible for the due diligence of the investor.

(2) An investment fund relying on an eligible introducer shall —

(a) before accepting a subscription from the investor, obtain from the eligible introducer the information on the identity of the investor and of any beneficial owner that is required by this Part, together with written confirmation that the eligible introducer has verified that identity;

(b) obtain copies of the identification documents and other relevant documents within thirty days of the written confirmation; and

(c) where the copies are not obtained within that period, verify the identity of the investor directly or suspend the business relationship and, where verification cannot be completed, terminate it.

(3) An eligible introducer is —

(a) a licensed investment fund administrator;

(b) a person registered under the Securities Industry Act;

(c) a bank or trust company licensed by the Central Bank of The Bahamas;

(d) a company carrying on life assurance business under the Insurance Act *(Ch. 347)*;

(e) an institution that exercises functions similar to those of a person referred to in sub-paragraphs (a) to (d), and that —

(i) is not established in a high-risk jurisdiction;

(ii) is subject to AML/CFT/CPF regulation and supervision equivalent to or higher than that of The Bahamas; and

(iii) is not prevented by any law of its jurisdiction from providing the documents referred to under paragraph (2)(b); or

(f) in relation to an investment fund that is a master fund, a feeder fund that invests in it, or the administrator of that feeder fund, where the feeder fund or its administrator is licensed under the Act, or is licensed or registered in a prescribed jurisdiction and is not established in a high-risk jurisdiction.

25. Enhanced due diligence.

(1) An investment fund shall apply enhanced due diligence measures where —

(a) it considers that an investor, a business relationship or a transaction presents a higher risk;

(b) the investor is resident or established in, or the subscription monies originate from, a high-risk jurisdiction;

(c) the investor or a beneficial owner is a politically exposed person to whom rule 26(3) applies;

(d) subscription monies are received from, or redemption proceeds are to be paid to, a person other than the investor; or

(e) a subscription, redemption or transfer is complex, unusually large or has no apparent economic or lawful purpose.

(2) An investment fund shall take account of whether an investor is resident or established in, or subscription monies originate from, a jurisdiction under increased monitoring in assessing the risk profile of the investor under rule 17.

(3) An investment fund when conducting enhanced due diligence measures shall —

(a) obtain additional information on the investor and the beneficial owner;

(b) establish the source of funds and source of wealth;

(c) obtain the approval of senior management before establishing or continuing the business relationship; and

(d) conduct enhanced ongoing monitoring.

26. Politically exposed persons.

(1) For the purposes of this rule —

"**foreign politically exposed person**" means an individual who is or has been entrusted with a prominent public function by a foreign country, including a head of state or of government, a senior politician, a senior government, judicial or military official, a senior

executive of a state-owned corporation or an important political party official;

"**domestic politically exposed person**" means an individual who is or has been entrusted with a prominent public function within The Bahamas, including any of the functions referred to in sub-paragraph (a);

"**international organisation politically exposed person**" means an individual who is or has been entrusted with a prominent function by an international organisation, including a director, deputy director, member of the board or of senior management, or an individual entrusted with an equivalent function;

"**politically exposed person**" means a foreign politically exposed person and a domestic politically exposed person and includes a family member or close associate, and any legal person or legal arrangement formed by or for the benefit of such a person;

"**family member**" means an individual related to a politically exposed person directly or through marriage or a similar form of partnership, including a spouse or partner, parent, child or sibling; and

"**close associate**" means an individual who is closely connected to a politically exposed person, whether socially or professionally, and includes an individual who is in a position to conduct substantial domestic or international financial transactions on behalf of the politically exposed person.

(2) An investment fund shall implement appropriate risk management systems to determine whether an investor or beneficial owner is a politically exposed person.

(3) In relation to a foreign politically exposed person, and to a domestic or international organisation politically exposed person where the business relationship presents a higher risk, including in each case a family member or close associate of such a person and any legal person or legal arrangement formed by or for the benefit of such a person, an investment fund shall —

(a) obtain the approval of senior management before establishing or continuing the business relationship;

(b) take reasonable measures to establish the source of wealth and the source of funds; and

(c) conduct enhanced ongoing monitoring of the business relationship.

(4) In relation to a domestic politically exposed person or an international organisation politically exposed person, an investment fund shall take

reasonable measures to determine whether a customer or beneficial owner is such a person and, where the business relationship with such a person presents a higher risk, shall apply the measures set out under paragraph (3).

(5) Paragraphs (2), (3) and (4) apply, with the necessary changes, to a family member and close associate, and to any corporation, business or other entity formed by or for the benefit of a politically exposed person.

27. Subscriptions and redemptions.

(1) An investment fund shall accept subscription monies only from an account held in the name of the investor with a bank or other institution that is regulated for AML/CFT/CPF purposes in The Bahamas or in a country or jurisdiction that is not a high-risk jurisdiction, unless it has applied enhanced due diligence measures.

(2) An investment fund shall pay redemption proceeds and distributions only to an account held in the name of the investor with an institution of the kind referred to under paragraph (1), unless it has applied enhanced due diligence measures.

(3) An investment fund shall not accept subscription monies in cash or pay redemption proceeds or distributions in cash.

28. Ongoing monitoring and updating of information.

(1) An investment fund shall monitor its business relationship with each investor, including subscriptions, redemptions, transfers and changes to payment instructions, to ensure that they are consistent with its knowledge of the investor, the investor's risk profile and the source of funds.

(2) An investment fund shall review and update the due diligence information held on an investor —

(a) at least once in every year for investors assessed as higher risk;

(b) at intervals established in its risk rating framework, not exceeding three years, for investors assessed as standard risk;

(c) at intervals established in its risk rating framework, not exceeding five years, for investors assessed as low risk; and

(d) whenever it has reason to doubt the information held, there is a material change in the investor or the relationship, or it suspects an activity related to an identified risk.

PART VI - INVESTMENT-SIDE MEASURES

29. Investment-side due diligence.

(1) An investment fund shall apply risk-based measures to identify and assess the identified risks arising from its investments, including —

(a) due diligence on the counterparties with which it transacts, the persons from whom it acquires and to whom it disposes of assets and the entities in which it invests, appropriate to the nature of the asset and the risk;

(b) screening of those persons against the lists of designated persons or entities before entering into a transaction and without delay when the lists are updated; and

(c) enhanced measures for investments that present a higher risk, including investments in private companies, real property, digital assets and assets connected with a high-risk jurisdiction.

(2) An investment fund shall keep records of the measures taken under paragraph (1).

30. Delegation of investment-side functions.

(1) An investment fund may perform the investment-side functions itself or may, with the prior written approval of the Commission, delegate their performance under a written delegation agreement to its investment fund manager, its investment fund administrator or another person that has the expertise and resources to perform those functions and that is subject to the oversight of the investment fund, and shall record in its compliance programme who performs those functions.

(2) Rule 13(4) to (8) apply to a delegation under paragraph (1).

(3) The person to whom investment-side functions are delegated shall report to the fund Compliance Officer on the performance of those functions as the compliance programme requires, and shall report any knowledge or suspicion to the fund Money Laundering Reporting Officer without delay.

PART VII - TARGETED FINANCIAL SANCTIONS

31. Targeted financial sanctions: investment fund.

(1) An investment fund shall establish and maintain policies, procedures, systems and controls to ensure its compliance with targeted financial sanctions, including the implementation of sanctions against a designated person or entity under section 3A of the International Obligations (Economic and Ancillary Measures) Act and section 44 of the Anti-Terrorism Act.

(2) An investment fund shall screen against the lists of designated persons or entities —

(a) each investor, beneficial owner and person acting on behalf of an investor, at onboarding and before registering a transfer;

(b) each person to whom redemption proceeds or distributions are to be paid, before payment;

(c) its counterparties and service providers; and

(d) all of the persons referred to in sub-paragraphs (a) to (c), without delay when the lists are updated.

(3) An investment fund shall —

(a) freeze, without delay and without prior notice to the designated person or entity, funds or other assets that are owned or controlled, directly or indirectly, by a designated person or entity, that are derived or generated from such funds or other assets, or that belong to persons and entities acting on behalf of or at the direction of a designated person or entity;

(b) not make any funds, other assets or financial services available, directly or indirectly, to or for the benefit of a designated person or entity;

(c) inform the Attorney-General and the Financial Intelligence Unit, without delay, that it holds funds or other assets owned or controlled by a designated person or entity, and report any attempted transaction involving a designated person or entity; and

(d) cooperate with any legal action for the forfeiture or confiscation of funds or other assets frozen under this rule.

(4) An investment fund shall keep records of its screening and of the basis on which it determined whether a person is a designated person or entity or is owned or controlled, directly or indirectly, by a designated person or entity.

(5) For the purposes of this rule, "owned or controlled" includes whole or joint ownership and direct or indirect control.

PART VIII - RECORD KEEPING

32. Records to be maintained and retention period.

(1) An investment fund shall maintain records that enable —

(a) the Commission to assess its compliance with these Rules;

(b) each subscription, redemption, transfer and payment to be reconstructed; and

(c) the investment fund to satisfy court orders and enquiries from the appropriate authorities.

(2) The records maintained under paragraph (1) shall include —

(a) the register of investors;

(b) the due diligence records of each investor and beneficial owner;

(c) records of subscriptions, redemptions, transfers, distributions and payment instructions;

(d) records of investment-side functions and of sanctions screening;

(e) records of internal reports, suspicious transaction reports and the assessments of the fund Money Laundering Reporting Officer;

(f) the compliance programme, risk assessments and the approvals and reviews of the operators; and

(g) records of training.

(3) An investment fund shall keep the records required by this rule for a period of seven years from the date on which the investor ceases to hold equity interests in the investment fund or, in the case of other records, from the date of the transaction or event to which they relate.

(4) Where an investment fund is wound up, dissolved or terminated, the liquidator or the operators shall ensure that the records are retained for the remainder of the period referred to under paragraph (3).

(5) An investment fund shall ensure that its records can be produced to the Commission in The Bahamas within five business days of a request.

PART IX - INVESTMENT FUND ADMINISTRATORS

33. Application and interpretation of this Part.

(1) Rules 34 to 46 apply to a licensed investment fund administrator in respect of its own business, including the services that it provides to each client fund.

(2) Rule 47 applies to a licensed investment fund administrator and to a foreign investment fund administrator in respect of the investment funds that it administers.

(3) In this Part —

"**board"** means the board of directors of a licensed investment fund administrator; and

"**client fund"** means an investment fund, a Non-Bahamas based investment fund or any other fund to which a licensed investment fund administrator, in or from The Bahamas, provides investment fund administration or maintains a register of equity interests.

34. Compliance with AML/CFT/CPF laws.

A licensed investment fund administrator shall, in respect of its own business, comply with the Financial Transactions Reporting Act, the Proceeds of Crime Act, the Anti-Terrorism Act, the International Obligations (Economic and Ancillary Measures) Act and the Financial Transactions Reporting (Wire Transfer) Regulations.

35. Compliance programme of licensed investment fund administrator.

(1) A licensed investment fund administrator shall establish, implement and maintain a written compliance programme for its own business that is proportionate to the nature, size and complexity of its business and to the identified risks to which it is exposed.

(2) The compliance programme of a licensed investment fund administrator shall include —

(a) the risk assessment required under rule 36 and the risk rating framework required under rule 37;

(b) policies and procedures for due diligence, including the identification of politically exposed persons, on client funds under rule 38 and on investors under rule 40;

(c) policies and procedures for the ongoing monitoring of client funds and of the transactions that it processes, under rule 39;

(d) policies, procedures, systems and controls for compliance with targeted financial sanctions under rule 42;

(e) procedures for internal reporting and the making of suspicious transaction reports under rule 41;

(f) procedures for record keeping under rule 43;

(g) procedures for employee screening and training under rule 44;

(h) where applicable, its group-wide programme under rule 45; and

(i) procedures for compliance with rule 46.

(3) The board shall —

(a) approve the compliance programme and any material change to it;

(b) review the compliance programme and the risk assessment at least once in every year;

(c) receive a report from the Compliance Officer at least once in every year on the operation and effectiveness of the compliance programme; and

(d) ensure that deficiencies identified by the Compliance Officer or the Commission are remedied within a time appropriate to the risk they present.

36. Risk assessment of licensed investment fund administrator.

(1) A licensed investment fund administrator shall identify, assess and understand the identified risks to which its business is exposed, having regard to —

(a) the types of client funds that it administers, including their structures, investment strategies and the types of assets in which they invest;

(b) the countries or jurisdictions in which its client funds and their promoters, operators and investment fund managers are established or resident;

(c) the investors in the client funds that it administers, including the countries or jurisdictions in which they are resident or established and the extent to which they invest through nominees or intermediaries;

(d) the services that it provides and the channels through which it delivers them, including business conducted without face-to-face contact;

(e) the technologies that it uses; and

(f) any national risk assessment and any guidance issued by the Commission or the Financial Intelligence Unit and shall take appropriate measures to manage and mitigate those risks.

(2) A licensed investment fund administrator shall carry out a risk assessment under paragraph (1) —

(a) before it launches a new service or business practice or begins to use a new delivery mechanism;

(b) before it uses a new or developing technology for new or existing services; and

(c) where it is a member of a financial group, upon a major event or development in the management or operation of the group.

(3) A risk assessment under this rule shall be documented, approved by senior management and the board, kept up to date and made available to the Commission upon request, and shall form part of a risk management system that provides for the continuous identification, measurement, monitoring and control of identified risks.

(4) A licensed investment fund administrator shall not assess the geographic risk associated with a country or jurisdiction as low where that country or jurisdiction is subject to targeted financial sanctions, is a high-risk jurisdiction or is a jurisdiction under increased monitoring.

37. Risk rating of client funds.

(1) A licensed investment fund administrator shall maintain a risk rating framework for client funds that —

(a) categorises client funds by level of risk, taking account of the type and structure of the client fund, the countries or jurisdictions connected with it, the regulatory status and reputation of its promoter, operators and investment fund manager, the complexity of its ownership and control, its investment strategy and assets, and its investors and distribution channels;

(b) establishes the level of management that may approve a client fund in each risk category;

(c) establishes due diligence requirements appropriate to each risk category;

(d) requires the periodic review and, where the risk profile changes, the re-categorisation of client funds; and

(e) requires the basis of each risk rating, and of any change to it, to be documented.

(2) A licensed investment fund administrator shall assess the risk profile of each client fund under its risk rating framework before it begins to provide services to that client fund.

38. Due diligence on client funds.

(1) Before it begins to provide services to a client fund, a licensed investment fund administrator shall identify and verify, using reliable, independent source documents, data or information —

(a) the client fund, including its name, legal form, constitutive documents, registered office, principal place of business and its licence or registration, if any;

(b) the operators and the promoter of the client fund;

(c) the investment fund manager of the client fund;

(d) each person authorised to give instructions on behalf of the client fund; and

(e) the beneficial owners of the client fund, being each natural person who —

(i) owns ten per cent or more of any class of equity interests, or of the voting or management shares, of the client fund;

(ii) owns ten per cent or more of, or otherwise controls, its promoter or its investment fund manager; or

(iii) otherwise exercises control over the client fund,

and, where the client fund is a unit trust or other legal arrangement, the persons referred to under rule 21(3),

and obtain information on the purpose and intended nature of the business relationship.

(2) A licensed investment fund administrator shall implement appropriate risk management systems to determine whether a promoter, an operator, a person referred to under paragraph (1)(d) or a beneficial owner of a client fund is a politically exposed person, as defined under rule 26(1).

(3) A licensed investment fund administrator shall apply enhanced due diligence measures to a client fund where —

(a) it assesses the client fund as presenting a higher risk under its risk rating framework;

(b) the client fund, its promoter, an operator or its investment fund manager is established or resident in a high-risk jurisdiction; or

(c) a person referred to under paragraph (2) is a foreign politically exposed person, or is a domestic or international organisation politically exposed person and the business relationship presents a higher risk.

(4) Enhanced due diligence measures on a client fund shall include —

(a) obtaining additional information on the client fund, its promoter, its operators and its beneficial owners;

(b) taking reasonable measures to establish the source of the funds used to establish the client fund and the source of wealth of its beneficial owners;

(c) obtaining the approval of senior management before beginning or continuing to provide services to the client fund; and

(d) conducting enhanced ongoing monitoring of the business relationship.

(5) A licensed investment fund administrator may apply simplified due diligence measures to a client fund only where —

(a) it has assessed the risk associated with the client fund as low under its risk rating framework, consistent with any national risk assessment and any guidance issued by the Commission;

(b) there is no suspicion of money laundering, the financing of terrorism or the financing of proliferation; and

(c) none of the circumstances under paragraph (3) applies,

and it shall document the basis on which it applies those measures, cease to apply them when those conditions are no longer met and comply with any direction of the Commission not to apply them.

(6) A licensed investment fund administrator may rely on an eligible introducer for the identification and verification required under paragraph (1), and shall in that case —

(a) before it begins to provide services to the client fund, obtain from the eligible introducer the information required under paragraph (1), together with written confirmation that the eligible introducer has verified it;

(b) obtain copies of the relevant documents within thirty days of that confirmation; and

(c) where the copies are not obtained within that period, verify the information directly or cease to provide services to the client fund.

(7) A licensed investment fund administrator shall apply the measures required by this rule to the client funds to which it provides services on the date on which these Rules come into operation, on the basis of materiality and risk and within the period provided under rule 51(3)(a).

(8) A licensed investment fund administrator shall review and update the information held on each client fund at the intervals established in its risk rating framework, and shall begin such a review without delay, and complete it within thirty days, where it has reason to doubt that information or suspects money laundering, the financing of terrorism or the financing of proliferation, and shall verify the identity of any new operator, promoter, investment fund manager or beneficial owner before that person exercises control over the client fund.

(9) Where a licensed investment fund administrator is unable to complete the measures required by this rule, it shall not begin or continue to provide services to the client fund and shall consider whether a suspicious transaction report should be made.

39. Ongoing monitoring of client funds and transactions.

(1) A licensed investment fund administrator shall monitor its business relationship with each client fund on an ongoing basis, including the transactions that it processes for or on behalf of the client fund, such as subscriptions, redemptions, distributions, transfers, payments to counterparties and service providers and the settlement of investments, to identify activity that is unusual, inconsistent with its knowledge of the client fund or suspicious.

(2) In establishing and operating its systems for the detection of unusual and suspicious activity, a licensed investment fund administrator shall have regard to indicators of suspicious activity and to any guidance issued by the Commission or the Financial Intelligence Unit, and shall record the findings of any inquiry into unusual activity.

40. Investors in client funds.

(1) In conducting due diligence on the investors of a client fund, as required by regulation 61(e) of the Regulations, a licensed investment fund administrator shall, whether or not the client fund is an investment fund —

(a) assess the risk profile of each investor and carry out due diligence, simplified due diligence and enhanced due diligence, including on

politically exposed persons, and ongoing monitoring, to the standard set out under rules 17 to 28;

(b) where it receives subscriptions or pays redemption proceeds or distributions, observe the requirements of rule 27;

(c) screen each investor, beneficial owner and person to whom it makes a payment against the lists of designated persons or entities, and freeze and report, under rule 42; and

(d) keep the register of investors, where it maintains that register, the due diligence records of each investor and beneficial owner, records of subscriptions, redemptions, transfers, distributions and payment instructions, and records of internal reports and suspicious transaction reports, for seven years from the later of the date on which the investor ceases to hold equity interests in the client fund and the date on which it ceases to provide services to the client fund.

(2) Any approval that rules 17 to 28 require to be given by senior management shall, for the purposes of this rule, be given by the senior management of the licensed investment fund administrator.

(3) Where the client fund is an investment fund, the due diligence conducted under this rule discharges the obligations of the investment fund under Part V, as provided under rule 16(2).

(4) This rule does not relieve an investment fund of its responsibility under rule 16(2).

41. Compliance Officer and Money Laundering Reporting Officer of licensed investment fund administrator.

(1) A Compliance Officer of a licensed investment fund administrator shall—

(a) be appointed only with the prior approval of the Commission, as required under section 39(4) of the Act, and,

(b) subject to regulation 69 of the Regulations, be at senior management level, as required under section 20 of the Financial Transactions Reporting Act, and

(c) in addition to the duties under regulation 68 of the Regulations, be responsible for establishing, implementing and maintaining the compliance programme required under rule 35.

(2) Subject to any waiver under regulation 70(3) of the Regulations, every licensed investment fund administrator is required by the Commission, for

the purposes of regulation 70(1) of the Regulations, to appoint a Money Laundering Reporting Officer with the prior approval of the Commission.

(3) A licensed investment fund administrator shall —

(a) register its Money Laundering Reporting Officer with the Financial Intelligence Unit;

(b) notify the Commission in writing within seven days of the resignation or removal of its Compliance Officer or Money Laundering Reporting Officer, or of any vacancy in either office; and

(c) ensure that its Compliance Officer and Money Laundering Reporting Officer, and any person assisting them, have timely access to its systems, customer records and all other relevant information.

(4) An employee of a licensed investment fund administrator shall report to its Money Laundering Reporting Officer, without delay, any knowledge or suspicion that a client fund, an investor in a client fund or any other person dealing with the licensed investment fund administrator is engaged, or is attempting or proposing to engage, in money laundering, the financing of terrorism or the financing of proliferation.

(5) Where, upon assessing a report under paragraph (4), the Money Laundering Reporting Officer of a licensed investment fund administrator knows, suspects or has reasonable grounds to suspect that a transaction, attempted transaction or proposed transaction involves the proceeds of criminal conduct, money laundering, the financing of terrorism or the financing of proliferation, that officer shall ensure that a suspicious transaction report is filed with the Financial Intelligence Unit, and shall keep a record of each report received, the assessment made and the reasons for any decision not to file a suspicious transaction report.

(6) Where a report under paragraph (4) relates to an investment fund whose fund Money Laundering Reporting Officer is not the Money Laundering Reporting Officer of the licensed investment fund administrator —

(a) the licensed investment fund administrator shall ensure that the report is also made to the fund Money Laundering Reporting Officer without delay;

(b) the two officers may make a single suspicious transaction report, and each shall record the assessment that they have made; and

(c) nothing in this paragraph relieves either officer of the duty to ensure that a suspicious transaction report is made where rule 10(2) requires it.

42. Targeted financial sanctions: investment fund administrator.

(1) A licensed investment fund administrator shall establish and maintain policies, procedures, systems and controls to ensure its compliance with targeted financial sanctions.

(2) A licensed investment fund administrator shall screen against the lists of designated persons or entities, when it begins to provide services, before each payment and without delay when the lists are updated —

(a) each client fund and each person referred to under rule 38(1)(b) to (e);

(b) the investors and beneficial owners referred to under rule 40; and

(c) each person to whom it makes a payment for or on behalf of a client fund.

(3) A licensed investment fund administrator shall comply with rule 31(3) and (4) in respect of any funds or other assets that it holds or controls, and any transaction that it processes, for or on behalf of a client fund.

43. Record keeping.

(1) A licensed investment fund administrator shall keep —

(a) the due diligence records of each client fund and of the persons referred to under rule 38(1);

(b) records of the transactions that it processes for or on behalf of each client fund, together with the related business correspondence;

(c) its risk assessments and risk ratings and the results of any analysis or inquiry into unusual activity;

(d) records of internal reports, suspicious transaction reports and the assessments of its Money Laundering Reporting Officer;

(e) records of sanctions screening; and

(f) records of training.

(2) The records referred to under paragraph (1) shall be kept for a period of seven years from the date on which the business relationship with the client fund ends or, in the case of other records, from the date of the transaction or event to which they relate, and shall be kept in a form that enables the licensed investment fund administrator to satisfy court orders and enquiries from the appropriate authorities and to produce them to the Commission or the Financial Intelligence Unit within five business days of a request.

44. Employee screening and training.

(1) A licensed investment fund administrator shall have procedures to screen employees, before and during their employment, to ensure high standards of integrity and competence appropriate to their responsibilities.

(2) A licensed investment fund administrator shall provide training to its directors, senior management and relevant employees at least once in every year, proportionate to the identified risks and to the responsibilities of the recipient, covering —

(a) the laws of The Bahamas concerning money laundering, financing of terrorism, financing of proliferation and targeted financial sanctions;

(b) the identified risks to which its business and its client funds are exposed;

(c) the recognition and handling of suspicious transactions and of matters relating to targeted financial sanctions; and

(d) its compliance programme and the roles and responsibilities of the persons involved in it.

(3) A licensed investment fund administrator shall keep records of the training delivered, including the dates, the persons who attended and the content of the training.

45. Group-wide programmes.

(1) A licensed investment fund administrator that has branches or majority-owned subsidiaries shall implement a group-wide programme against money laundering, the financing of terrorism and the financing of proliferation that applies to those branches and subsidiaries and that includes —

(a) the policies, procedures, systems and controls required by this Part;

(b) policies and procedures for sharing information within the group for the purposes of due diligence and the management of identified risks;

(c) the provision to, and receipt from, its branches and subsidiaries of customer, account and transaction information, including information on unusual activity, where necessary for those purposes; and

(d) adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

(2) A licensed investment fund administrator that is a branch or subsidiary of a financial group shall apply the group-wide programme of that financial group to the extent that it is consistent with, and not less stringent than, these Rules and the Financial Transactions Reporting Act.

(3) Where a licensed investment fund administrator has a branch or majority-owned subsidiary in another country, that investment fund administrator shall ensure that the branch or subsidiary applies —

(a) measures consistent with these Rules and the Financial Transactions Reporting Act to the extent that the laws of that country permit; and

(b) where the laws of that country prevent the application of those measures, apply appropriate additional measures to manage the risks and inform the Commission of the same.

46. Wire transfers.

A licensed investment fund administrator that sends or receives a wire transfer for or on behalf of a client fund or an investor in a client fund, including for a subscription, redemption or distribution, shall comply with the Financial Transactions Reporting (Wire Transfer) Regulations.

47. Obligations of investment fund administrator acting for an investment fund.

(1) A licensed investment fund administrator or a foreign investment fund administrator to which a function is delegated under rule 13 shall —

(a) perform the function under these Rules and the delegation agreement;

(b) provide the fund Compliance Officer and the fund Money Laundering Reporting Officer where the delegation agreement so provides;

(c) report to the operators and to the fund Compliance Officer at the intervals set in the delegation agreement and, in the case of a material breach of these Rules or any matter that may affect its ability to perform the delegated function, without delay;

(d) ensure that any knowledge or suspicion relating to the investment fund is reported to the fund Money Laundering Reporting Officer without delay;

(e) provide information and records to the investment fund within the periods set under rule 13(6)(e), and give the Commission access under rule 13(6)(f); and

(f) maintain resources sufficient for the number and nature of the investment funds for which it performs functions under these Rules.

(2) The duties of a licensed investment fund administrator under this rule are in addition to its obligations under the other provisions of this Part.

PART X - INVESTMENT FUND MANAGERS

48. Obligations of investment fund manager.

(1) An investment fund manager of an investment fund shall —

(a) where investment-side functions are delegated to it under rule 30, perform them under these Rules;

(b) where investment-side functions are delegated to it under rule 30, report to the fund Compliance Officer on their performance as the compliance programme requires;

(c) report to the fund Money Laundering Reporting Officer, without delay, any knowledge or suspicion relating to the investment fund, its investors, its investments or its counterparties;

(d) keep records of the measures it takes under these Rules and make them available to the investment fund and the Commission within five business days of a request; and

(e) cooperate with the fund Compliance Officer and the fund Money Laundering Reporting Officer.

(2) An investment fund shall ensure that its agreement with its investment fund manager enables the investment fund manager to comply with paragraph (1).

PART XI - MISCELLANEOUS

49. Consideration of guidelines.

A person to whom these Rules apply shall, when developing policies and procedures under these Rules, pay due regard to any guidelines, best practices and policy statements issued by the Commission in relation to anti-money laundering, countering financing of terrorism and countering financing of proliferation.

50. Independent verification by the Commission.

(1) The Commission shall independently verify compliance with these Rules through its examinations programme.

(2) The Commission may employ an agent to conduct an examination on its behalf and, where it does so, may recover the cost of that examination from the investment fund or other person examined.

51. Transitional provisions.

(1) An investment fund that is licensed on the date on which these Rules come into operation shall, within twelve months of that date —

(a) establish its compliance programme and risk assessment and obtain the approval of its operators;

(b) appoint its fund Compliance Officer and fund Money Laundering Reporting Officer with the prior written approval of the Commission under rule 8; and

(c) obtain the approval of the Commission for any delegation under rule 13 or rule 30, and enter into or amend its delegation agreements and its agreements with its investment fund manager and any principal office provider, as these Rules require.

(2) An investment fund that is licensed after the date on which these Rules come into operation shall comply with paragraph (1)(a) to (c) before it commences operations.

(3) A licensed investment fund administrator shall —

(a) comply with Part IX within twelve months of the date on which these Rules come into operation; and

(b) within six months of that date, appoint a Money Laundering Reporting Officer with the prior approval of the Commission under regulation 70(1) of the Regulations, and register that officer with the Financial Intelligence Unit.

Made this 27th day of October, 2026.

Signed
PETER T. CAREY
DEPUTY CHAIRMAN
SECURITIES COMMISSION OF THE BAHAMAS