The Bahamas

Risk Assessment of Legal Persons and Arrangements

Step 4

Entity-Specific Risk Assessment

This annex is aligned with, and supports, the findings and conclusions of the Risk Assessment on Legal Persons and Legal Arrangements.

Step 4

Entity-Specific Assessment

1. Introduction

This annex presents a detailed entity-specific assessment of inherent and residual money laundering (ML) and terrorist financing (TF) risks for each type of legal person and legal arrangement in The Bahamas, building on the findings from Steps 1–3 of the main report. It complements the high-level sectoral analysis by examining structural, operational, and transactional characteristics that may expose entities to misuse, while taking into account mitigating factors such as professional administration, regulatory oversight, and beneficial ownership transparency.

The objective of this assessment is to inform policymakers, regulators, and supervisory authorities of ML/TF risks at the entity level, thereby supporting risk-based supervision, the application of enhanced due diligence where appropriate, and the effective allocation of resources to prevent financial crime.

2. Summary

(i) Legal persons and legal arrangements in The Bahamas operate within a **well-regulated and generally transparent framework**. Beneficial ownership compliance has reached approximately 98% by 2025, reflecting strong regulatory engagement, supervision, and professional gatekeeping.

(ii) Across sectors, legal persons such as domestic companies, international business companies (IBCs), private trust companies (PTCs), and special-purpose vehicles generally exhibit **medium to medium-high ML risk**, largely due to structural complexity, non-resident ownership, cross-border activity, and exposure to politically exposed persons (PEPs).

(iii) Legal arrangements, including trusts, foundations, and investment-related fiduciary structures, demonstrate **generally Medium to Medium-low residual ML risk**, reflecting their predominantly professional administration, licensing requirements, and ongoing monitoring under AML/CFT frameworks.

(iv) While certain entity types inherently carry elevated structural risks, **regulatory oversight, operational controls, and statutory beneficial ownership requirements significantly mitigate the risk of misuse**. No TF cases have been identified across any entity type, consistent with the jurisdiction's overall TF risk profile, legal safeguards, and monitoring mechanisms.

The following detailed table summarizes the **inherent and final ML/TF risk ratings** by entity type:

Entity Type	Inherent ML Risk	Final ML Risk	Inherent TF Risk	Final TF Risk	Key Mitigating Factors / Notes
Domestic Companies (DCs)	Medium	Medium	Medium-Low	Low	High beneficial ownership compliance; regulatory oversight; BOSSs; STR monitoring; enhanced due diligence for PEPs and high-risk jurisdictions
International Business Companies (IBCs)	Medium-High	Medium	Medium	Medium-Low	Cross-border activity introduces complexity; non-resident ownership; professional administration; BO reporting; supervisory engagement; enhanced due diligence for PEPs and high-risk jurisdictions.
Foreign Companies (FCs)	Medium	Medium	Medium	Medium-Low	Stable cross-border presence; BOSSs access; routine oversight; functional int'l cooperation.
Exempted Limited Partnerships (ELPs)	Medium-high	Medium	Medium	Medium-Low	Niche investment/fiduciary structures; licensed FCSP administration; professional gatekeeping; enhanced due diligence for PEPs and high-risk jurisdictions.
Foundations	Medium	Medium	Medium	Medium-Low	Operate similarly to trusts; professional administration; limited misuse identified; strong oversight; enhanced due diligence for PEPs and high-risk jurisdictions
Segregated Accounts Companies (SACs)	Medium-High	Medium	Medium	Medium-Low	Specialized investment structures; managed by licensed administrators; monitored despite low volume
Executive Entities (EEs)	Medium	Medium	Medium	Medium	Specialized operational functions; small population; regulated and

Entity Type	Inherent ML Risk	Final ML Risk	Inherent TF Risk	Final TF Risk	Key Mitigating Factors / Notes
					transparent; enhanced due diligence for PEPs and high-risk jurisdictions
Private Trust Companies (PTCs)	Medium	Medium	Medium	Medium-Low	Administer family trusts; dual-layer oversight; well-maintained beneficial ownership
Ordinary Trusts	Medium	Medium-Low	Medium	Low	Professionally administered; enhanced due diligence; licensed trustees; enhanced due diligence for PEPs and high-risk jurisdictions
Authorized Purpose Trusts	Medium	Medium	Medium	Medium-Low	Stricter regulation; statutory reporting; licensed trustees
Investment Condominiums (ICons)	Medium-High	Medium	Medium	Medium-Low	Collective investment structures; cross-border investors; regulated under Investment Funds Act; enhanced due diligence for PEPs and high-risk jurisdictions
Investment Funds – Restricted Administrators	Medium-High	Medium	Medium	Medium-Low	Smaller, controlled client base; AML/CFT controls; supervision reduces risk; enhanced due diligence for PEPs and high-risk jurisdictions
Investment Funds – Unrestricted Administrators	High	Medium-High	Medium	Medium-Low	Larger and more diverse portfolios; cross-border exposure; enhanced due diligence for PEPs and high-risk jurisdictions; regulatory oversight mitigates inherent risk
Legal Persons & Arrangements in Real Estate	Medium	Medium	Medium	Medium-Low	Corporate vehicles for property; layered ownership mitigated by regulated licensed professionals and due diligence; enhanced due diligence for PEPs and high-risk jurisdictions - property registry, compliance with ROBOA (BOSSs).

3. Entity Type Analysis

(i) Domestic Companies and IBCs

These entities are widely used for commercial activity and cross-border investment. IBCs dominate the international corporate landscape, while domestic companies primarily serve local purposes. ML risk is assessed as **Medium**, primarily due to multi-jurisdictional ownership structures and the potential use of nominee arrangements. These risks are mitigated through access to the Beneficial Ownership Secure Search System (BOSSs), supervisory reviews, and suspicious transaction reporting (STR) monitoring. TF risk **remains Medium-low**, with no cases identified.

(ii) **Foreign Companies and ELPs**

These entity types function as vehicles for foreign investment and fiduciary arrangements. ML risk is assessed as **Medium to Medium-High**, with vulnerabilities mitigated through licensed administration, beneficial ownership reporting, and sector-specific oversight. TF risk remains **Medium-low**.

(iii) **Foundations, Trusts, and Purpose Trusts**

These structures are primarily used for wealth management, estate planning, and charitable purposes. Due to professional administration, licensing requirements, and fiduciary obligations, residual ML risk is **Medium,** with no significant instances of misuse identified. TF risk is also **Medium-low**.

(iv) **Private Trust Companies (PTCs)**

PTCs function as trustees for family trusts and, while classified as legal persons, operate within a fiduciary framework. ML risk is **Medium**, reflecting concentrated family control and potential complexity. However, dual-layer oversight by Registered Representatives and the Central Bank significantly mitigates these risks. TF risk remains **Medium-low**.

(v) **Investment Funds and Related Structures**

Investment vehicles—including segregated accounts companies and investment condominiums—present **High - Medium-High inherent ML risk** due to cross-border investors and structural complexity. Regulatory oversight and AML/CFT controls reduce residual risk to M**edium-High - Medium**. TF risk remains **Medium-low**.

4. Observations

(i) Beneficial ownership transparency, including access to BOSSs, is a central factor in reducing risk across all entity types.

(ii) Professional gatekeeping by financial and corporate service providers, banks, and licensed administrators plays a critical role in mitigating structural vulnerabilities.

(iii) Cross-border exposure increases inherent ML risk but is consistently mitigated through regulatory supervision, enhanced due diligence, and access to beneficial ownership information.

(iv) TF risk remains medium-low across all entity types, supported by the absence of identified cases, no credible TF STRs, the jurisdiction's risk profile, and the presence of legal, regulatory and institutional safeguards.

5. Conclusions

The entity-specific assessment indicates that legal persons and arrangements in The Bahamas operate within a **well-regulated and professionally supervised framework**. While certain entity types particularly complex corporate structures and investment vehicles, present **medium to high inherent ML risk**, regulatory oversight, professional administration, and high levels of beneficial ownership compliance significantly mitigate these risks.

Legal arrangements, including trusts, foundations, and private trust companies, generally demonstrate **Medium residual ML risk**, reflecting strong fiduciary controls, licensing requirements, and ongoing monitoring.

Overall, the findings indicate that, although targeted vulnerabilities exist, they are **effectively managed through a combination of legal, regulatory, and operational controls**, supporting risk-based supervision and the prevention of ML/TF activity at the entity level.