SECURITIES COMMISSION OF THE BAHAMAS

RISK ASSESSMENT

DIGITAL ASSETS SECTOR

ASSESSMENT PERIOD: 1 JANUARY 2025 TO 31 DECEMBER 2025

Securities Commission of The Bahamas
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Digital Assets Sector

Money Laundering, Terrorist Financing and Proliferation Financing

Sectoral Risk Assessment – Summary Report (Public Edition)

Assessment period: 1 January 2025 to 31 December 2025

OVERALL SECTOR RISK RATING

MEDIUM-HIGH

Overall risk before mitigation 0.68 on the 0.0 to 1.0 scale (product threat 0.57, entity vulnerability 0.79); residual risk 0.32 after mitigating measures

1. Rationale for the Medium-High rating

The digital-asset sector, comprising registrants under the Digital Assets and Registered Exchanges Act, 2024, is rated Medium-High. The rating reflects the profile of the entities rather than the nature of the virtual assets themselves, which in The Bahamas are handled by centralised, registered businesses under a dedicated regulatory framework. The main drivers are that the sector is highly concentrated; serves a near totally foreign, mass-market client base onboarded entirely remotely; settles transactions across borders within seconds; and interacts with overseas virtual-asset businesses that are not subject to any registration regime. Blockchain analytics screening across the sector during the period identified and quantified indirect exposure to mixing services and sanctioned addresses. This evidences that the sector is exposed to illicit-finance channels and that registrants' screening is detecting that exposure.

The rating is Medium-High rather than High for four reasons: every operating registrant is licensed and supervised; cash plays no role in the sector; screening coverage is complete at reporting registrants; and formal controls, including compliance appointments, risk assessments and staff training, are reported at very high rates. On the completeness of originator and beneficiary information travelling with transfers (the Travel Rule), registrants report complete information for approximately 99% of transfers sent and received when weighted by the sector's client base, and for 96% on a simple average across reporting registrants. Records for incoming transfers are held either by the registrant or by a specialist Travel Rule service provider engaged on the registrant's behalf; in either case the records remain the registrant's and are available to the Commission. The Commission's transaction-level compliance testing across the sector corroborates the reported position; deficiencies identified at a small number of registrants are subject to remediation.

2. The sector at a glance

- **Population:** 32 digital asset businesses and digital asset exchanges registered as at 31 December 2025: exchanges and trading platforms, custodians (hot and cold storage), payment and broking services, management services, and token-offering activity.

- **Scale and concentration:** Custodied client assets in the billions of dollars, with the two largest participants accounting for the substantial majority of sector activity.
- **Profile:** Client base almost entirely non–resident, spanning dozens of user jurisdictions; onboarding wholly non-face-to-face.

3. Sector risk data

The indicators below are aggregates from the mandatory Risk Data Return across the full population, published so that licensees, registrants, and the public can see the evidence base behind the rating. No figure identifies any individual firm. Jurisdiction banding uses the Financial Action Task Force lists as at 19 June 2026 (call for action: Iran, North Korea, Myanmar; increased monitoring: 22 jurisdictions).

Industry profile

Registrants (as at 31 December 2025)	32
Total client relationships	2,159,398
Clients resident in The Bahamas	1,376
Clients resident abroad	2,158,022
Combined value of client assets held	$33,651,174,865
of which for clients resident in The Bahamas	$16,484,638
of which for foreign clients	$33,634,690,227

Money laundering risk indicators

- Risk Exposure: the sector's money laundering channel is the rapid conversion and cross-border movement of value through trading platforms and custody services. A mass-market retail base of 2.16 million clients, 99.9% resident abroad; 65 politically exposed person relationships (0.003% of the client base); blockchain analytics identified and quantified indirect exposure to mixing services and sanctioned addresses during the period, with findings disclosed to the Commission. Controls: reporting registrants screen 100% of transactions through blockchain analytics; screening arrangements, risk assessments, and appointed officers are reported at or near 100%, with training averaging 95%; 332 suspicious transaction reports were filed, as reported by registrants through the Risk Data Return for their last three reporting periods, with 13 registrants filing none in all three, several being dormant or pre-operational. Conclusion: money laundering risk is led by the entity profile – concentration, mass-market foreign reach, wholly remote onboarding – rather than by detection capability, which is demonstrated; this drives the Medium-High rating and the intensive supervision of the systemic platforms.

Terrorist financing risk indicators

- Risk Exposure: the sector's terrorist financing channel is transfer speed and reach: value moves across borders in seconds, without face-to-face contact. Registrants' jurisdiction disclosures attribute 2,109,797 foreign clients (98% of the foreign base); none is resident in a call-for-action jurisdiction (Iran, North Korea, Myanmar); 921,633 clients (43.7% of attributed) are resident in jurisdictions under increased monitoring, concentrated almost entirely in a single jurisdiction – a listing reflecting anti-money-laundering deficiencies rather than a terrorist financing designation, and a concentration

weighed openly in this assessment; the remainder concentrates in India, Brazil, Argentina and the Philippines, none FATF-listed. Controls: designated-address screening across 100% of transactions at reporting registrants; Travel Rule completeness on transfers sent and received reported at approximately 99% weighted by the sector's client base, and at 96% on a simple average across reporting registrants, corroborated by the Commission's transaction-level testing, with records for incoming transfers held by the registrant or by a specialist Travel Rule service provider engaged on the registrant's behalf. Conclusion: terrorist financing vulnerability rests on transfer speed and the single-jurisdiction residence concentration, both measured.

Proliferation financing risk indicators

- Risk Exposure: virtual assets are a documented state-actor sanctions-evasion channel internationally, so the segment's proliferation financing controls matter beyond its size. No clients resident in Iran or North Korea; reporting registrants screen 100% of transactions through blockchain analytics including designated wallet addresses, and it is that screening which identified and quantified the sector's indirect exposure to mixing services and sanctioned addresses during the period, with findings disclosed to the Commission – detection operating as designed. Controls: 81% of registrant risk assessments expressly cover proliferation financing; Travel Rule coverage, a proliferation–relevant control because complete transfer information is what makes sanctions screening of counterparties possible, is reported at approximately 99% of transfers sent and received when weighted by the sector's client base, and at 96% on a simple average across reporting registrants, with records for incoming transfers held by the registrant or by a specialist Travel Rule service provider engaged on the registrant's behalf; the Commission's transaction-level compliance testing corroborates the reported position, with deficiencies at a small number of registrants subject to remediation. Conclusion: measured proliferation financing exposure is limited, with no clients resident in Iran or North Korea, and detection capability is demonstrated rather than assumed, with the Commission's supervision weighted accordingly.

Entity risk ratings

- Every registrant is rated in the Commission's Entity Risk Register from its Risk Data Return, and the rating drives its supervisory intensity, from baseline monitoring to intensive engagement. Of the registrants rated under this sector (each firm is rated once, under its dominant licence), 22% are rated Low, 69% Medium-Low and 9% Medium-High, with none rated High.

4. How the Commission assessed the sector

The Commission assessed the sector with the World Bank Virtual Asset and Virtual Asset Service Provider Risk Assessment Tool (2022), which rates each service category and product across three dimensions: the threat inherent in the product, the vulnerability of the entities providing it, and the mitigation in place, resolving to a residual risk. Six service categories present in The Bahamas were assessed; validator and mining activity is not present.

Ratings are expressed on the World Bank scale from 0.0 to 1.0, read in five bands: Low (below 0.2), Medium-Low (0.2 to below 0.4), Medium (0.4 to below 0.6), Medium-High (0.6 to below 0.8), and High

(0.8 and above). The assessment draws on the Commission's Risk Data Return, a mandatory annual return completed by every licensee and registrant covering clients, products, geography, controls, and financial position, cross-checked against the Commission's registers and supervisory information.

Terrorist financing and proliferation financing were considered separately from money laundering. For terrorist financing, each client's country of residence reported in the Risk Data Return was banded against the Financial Action Task Force lists in a dedicated geographic review. For proliferation financing, the measured indicators from the return – sanctions screening coverage, designated-address exposure and risk-assessment coverage – were assessed.

5. What is driving the risk

- **Speed and reach.** Value moves across borders in seconds, without face-to-face contact, to and from jurisdictions worldwide.
- **Concentration.** Sector outcomes are determined by a very small number of large platforms.
- **Unregistered counterparties.** Transfers necessarily interact with overseas services outside any registration regime, including, indirectly, mixing services and sanctioned addresses that sector screening detected and quantified.
- **Business model diversity.** Activities across the sector carry differentiated levels of risk, requiring tailored supervisory focus.

6. What is mitigating the risk

- **Registration and supervision.** The sector operates inside the regulatory perimeter under the Digital Assets and Registered Exchanges Act, with fit-and-proper entry controls.
- **Complete analytics screening.** Reporting registrants screen 100% of transactions through blockchain analytics, which is how the sector's illicit-channel exposure is known and measured; the Commission tests screening arrangements at examination, and identified exposures are disclosed to the Commission.
- **Strong compliance foundations.** AML/CFT/CPF compliance and reporting officers, screening arrangements, and risk assessments are reported at or near 100%, with staff training averaging 95%.
- **Custody discipline.** Custodians hold client assets predominantly in cold storage.

7. The Commission's response

- **Travel Rule supervision.** The Commission tests transfer-information completeness against its published guidance, with results corroborating reported completeness and informing supervisory action.
- **Intensive supervision of systemic platforms,** whose scale makes their controls a sector-level matter.

- **Annual measurement** of custody arrangements, screening coverage, and illicit-channel exposure through the Risk Data Return.

8. What the Commission expects of the sector

- Maintain and evidence full Travel Rule compliance for transfers sent and received in line with the Guidance Note on Travel Rule Compliance for Digital Asset Businesses, with stated policies for the execution, rejection, suspension and return of transfers when warranted.
- Maintain full blockchain-analytics screening, act on mixer and sanctions exposure, and report suspicious activity.
- Hold client assets predominantly in cold storage with documented key-management governance.
- Apply counterparty due diligence to transfers involving unregistered overseas services.

This public edition summarises the Commission's sectoral assessment. The underlying analysis, entity-level information, and supervisory follow–up are confidential. Questions may be directed to the Commission at info@scb.gov.bs.