SECURITIES COMMISSION OF THE BAHAMAS

RISK ASSESSMENT

SECURITIES SECTOR

ASSESSMENT PERIOD: 1 JANUARY 2025 TO 31 DECEMBER 2025

Securities Commission of The Bahamas
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Securities 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

Sector vulnerability 0.74 on the 0.0 to 1.0 scale (inherent vulnerability 0.91, moderated by the control framework)

1. Rationale for the Medium-High rating

The securities sector, comprising Securities Industry Act licensees and investment fund administrators, is rated Medium-High because it combines three features that money launderers seek: very large value, a predominantly international client base, and remote onboarding. The combined value of client assets held approaches $256.6 billion as at 31 December 2025, with additional investment fund net asset value of $45.6 billion under administration. 86% of clients are resident abroad and 87% of the combined value of client assets held belongs to foreign clients, so the sector's exposure is structurally cross-border. Onboarding is overwhelmingly non-face-to-face.

The rating is Medium-High rather than High because the product set is largely conventional and liquid securities business, cash plays almost no role, activity flows through regulated intermediaries and identifiable payment rails, and the sector operates a substantially complete anti-money-laundering control framework. It is not lower than Medium-High because the scale and internationality are permanent features, business is concentrated in a small number of large firms whose conduct determines sector outcomes, and the quality of controls is evidenced principally by firms' own reporting, which the Commission's examination programme tests.

2. The sector at a glance

- **Population:** 202 licences as at 31 December 2025: 161 securities firms, marketplaces and clearing facilities under the Securities Industry Act, 2024, and 41 investment fund administrators under the Investment Funds Act, 2019.
- **Scale:** Combined value of client assets held: approximately $256.6 billion as at 31 December 2025; investment fund net asset value under administration: $45.6 billion; roughly 850,000 client relationships across the sector.
- **Profile:** 86% of clients resident abroad; 2,074 politically-exposed-person relationships; high concentration, with the largest firms accounting for the substantial majority of client assets.

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

Licensees (as at 31 December 2025)	202
of which securities firms, marketplaces and clearing facilities	161
of which investment fund administrators	41
Total client relationships	850,543
Clients resident in The Bahamas	117,990
Clients resident abroad	732,553
Combined value of client assets held (as at 31 December 2025)	Approx. $256.6 billion
Investment fund net asset value under administration	$45.6 billion

Money laundering risk indicators

- Risk Exposure: the sector's money laundering channel is the placement and layering of wealth through investment accounts, brokerage relationships and fund structures, concealed inside legitimate international flows. 86% of clients are resident abroad; 2,074 politically exposed person relationships (0.24% of the client base); 77 client relationships carry outstanding beneficial-owner verification, with the aged cases under direct supervisory follow-up. Controls: sanctions screening at 99% of firms; business-wide risk assessments and appointed compliance and reporting officers near-universal; staff training averages 92%; 489 suspicious transaction reports filed, as reported by firms through the Risk Data Return for their last three reporting periods, with 94 firms filing none in all three (four without explanation, under follow-up). Conclusion: inherent money laundering exposure is high on scale, internationality and remote onboarding, while the control framework is complete on paper but evidenced mainly by firms' own reporting – the combination that holds the sector at Medium-High and directs examination work at monitoring and reporting effectiveness.

Terrorist financing risk indicators

- Risk Exposure: the sector's terrorist financing channel is the cross-border movement and holding of value rather than domestic collection. 86% of clients and 87% of the combined value of client assets held are foreign; firms' disclosures of their largest client jurisdictions attribute 310,476 foreign clients to specific jurisdictions, of which none is resident in a jurisdiction subject to a call for action (Iran, North Korea, Myanmar) and 879 – under half of one percent – in jurisdictions under increased monitoring, with the client base concentrated in unlisted jurisdictions. Controls: near-universal screening against the United Nations and major national lists, and the Commission's targeted financial sanctions dissemination record. Conclusion: measured exposure to terrorist-financing-relevant geographies is minimal.

Proliferation financing risk indicators

- Risk Exposure: the sector's proliferation financing channel is the holding of sanctioned wealth rather than trade or payments, and the indicators address it directly. No clients resident in Iran or North Korea. Controls: sanctions screening at 99% of firms; 78% of business risk assessments expressly cover proliferation financing, and the Commission requires express coverage from the remainder. Conclusion: proliferation financing exposure is assessed as low on measured exposure; the outstanding action is completing express proliferation financing coverage in firm risk assessments.

Entity risk ratings

- Every firm 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 firms rated under this sector (each firm is rated once, under its dominant licence), 38% are rated Low, 60% Medium-Low and 2% Medium-High, with none rated High.

4. How the Commission assessed the sector

The Commission assessed the sector with the World Bank National Risk Assessment methodology for securities sectors (Module 4), which combines inherent vulnerability factors (size, client base, products, delivery channels, international activity) with the quality of anti-money-laundering controls to produce a sector vulnerability score.

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.

5. What is driving the risk

- **Scale and cross-border reach.** The sector's value dwarfs the domestic economy and belongs mostly to non-residents, so illicit flows can hide in legitimate international volume.
- **Remote onboarding.** Non-face-to-face account opening is standard, placing full weight on documentary and electronic verification.
- **Concentration.** A small number of firms hold most client assets; a control failure at one large firm is a sector-level event.
- **Complex international structures.** Layered cross-border ownership can slow the tracing of funds and the identification of beneficial owners.

6. What is mitigating the risk

- **Regulated, cash-light business.** Activity settles through banking channels; cash and bearer instruments are rare.

- **Control framework in place.** Business-wide AML/CFT/CPF risk assessments, appointed compliance and reporting officers, sanctions screening, and staff training are reported at high rates across the sector.
- **Verification discipline.** Beneficial-ownership verification is required before relationships are established and is tested at examination; the reported backlog is 77 relationships (0.009% of the client base), with aged cases under direct supervisory follow-up.

7. The Commission's response

- **Risk-based supervision.** Every firm carries an entity risk rating driving its supervisory intensity, from baseline monitoring to intensive engagement for high-impact firms.
- **Examination testing.** Self-reported control quality is corroborated onsite; suspicious-transaction reporting behaviour and overdue client reviews are standing examination themes.
- **Data-driven monitoring.** The annual Risk Data Return tracks movement in the sector's risk profile cycle over cycle.

8. What the Commission expects of the sector

- Maintain a current, board-approved business risk assessment covering money laundering, terrorist financing, and proliferation financing.
- Complete beneficial-ownership verification before establishing relationships and remediate any backlog without delay.
- Calibrate monitoring to the sector's cross-border profile, and explain nil suspicious-transaction reporting where business volume would suggest otherwise.
- Screen against sanctions lists at onboarding and continuously, acting immediately on true matches.

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.