



Central Bank of The Bahamas

PUBLIC CONSULTATION

**GUIDELINES TO ASSESS THE FITNESS AND PROPRIETY
OF COMPLIANCE OFFICERS**

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COMPLIANCE OFFICER GUIDELINES
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COMPLIANCE OFFICERS**

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INTRODUCTION

1. The Central Bank of The Bahamas (the Central Bank) is responsible for the licensing, regulation and supervision of Supervised Financial Institutions (SFIs) operating in and from within The Bahamas pursuant to the Banks and Trust Companies Regulation Act, 2020 (the BTCRA), The Bahamas Co-operative Credit Unions Act, 2015 (the BCCUA), Payment Systems Act, 2012 (the PSA) the Payment Instruments (Oversight) Regulations, 2017 (PIOR), the Bahamian Dollar Digital Currency Regulations, 2021, and the Central Bank of The Bahamas Act, 2020 (the CBA).
2. All SFIs are required to adhere to the Central Bank's licensing, regulatory, and prudential requirements, as well as ongoing supervisory programmes, including periodic onsite examinations and required regulatory reporting. SFIs are also expected to conduct their affairs in conformity with all other Bahamian legal requirements.

PURPOSE

3. These Guidelines outline the criteria that the Central Bank will consider when assessing the fitness and propriety of the Compliance Officer (CO), including the ongoing assessment of the fitness and propriety of individuals currently serving in this role. They also establish the standards and requirements for the effective oversight and functioning of the CO within SFIs, and outline the governance framework necessary to ensure an independent and adequately resourced compliance function.
4. In the absence of internationally agreed qualifications, the Central Bank has adopted an approach whereby a set of core competencies is used to assess whether an individual is qualified, competent, and capable of performing the functions of a CO.¹ However, the Central Bank reserves the right to impose additional requirements as deemed appropriate.

APPLICABILITY

5. These Guidelines are applicable to all applications seeking the appointment of COs after the effective date of these Guidelines. The Guidelines should be read in conjunction with the following Guidelines:
 - i. *Guidelines for Assessing the Fitness and Propriety of Applicants for Regulated Functions ("Fit and Proper Guidelines")*;
 - ii. *Guidelines for Assessing the Fitness and Propriety of Money Laundering Reporting Officers (MLRO) in The Bahamas*;

¹ The Central Bank endorses the Basel Committee's paper entitled 'Compliance and the Compliance Function in Banks' issued in April 2005.

- iii. *Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering, Countering the Financing of Terrorism & Proliferation Financing;*
 - iv. *Guidelines on Minimum Standards for the Outsourcing of Material Functions (“Outsourcing Guidelines”); and*
 - v. *Guidelines for Internal Auditors and Audit Committees.*
6. SFIs are encouraged to self-assess existing COs against the criteria outlined in these Guidelines, and to ensure that existing COs are registered with the Central Bank. Any identified deficiencies must be promptly communicated to the Central Bank, together with an action plan to remediate such deficiencies within one (1) year from the effective date of these Guidelines.²
7. Where a CO also serves as MLRO, the individual must satisfy the fitness and propriety requirements for both functions. Although the CO and MLRO are distinct regulated roles, they are often combined in practice. Accordingly, SFIs are expected to ensure that any individual serving in both roles has the necessary capacity, authority, and independence to effectively perform both functions.

ASSESSING FITNESS AND PROPRIETY

8. In addition to the criteria set out in Sections 18 – 28 and 32 – 33 of the Fit and Proper Guidelines, the Central Bank will consider a range of supplementary factors when assessing the fitness and propriety of an applicant seeking approval to perform the function of CO. The key considerations will be based on whether the applicant:
- a. Has demonstrated through experience, training, and qualifications³, that they have a sound knowledge of the relevant laws, regulations, and industry-specific guidelines applicable to SFIs within The Bahamas;
 - b. Has extensive practical experience in the financial services industry, including, but not limited to banking, trust business, co-operatives, securities and insurance sectors;
 - c. Is appointed at the management level, or holds equivalent authority, with sufficient independence within the SFI to develop, oversee, update and enforce the SFI’s AML/CFT/CPF policies and procedures;

² The Central Bank will review, in the course of onsite examinations, the self-assessment conducted to determine if identified deficiencies have been corrected. Where deficiencies have not been corrected, the Central Bank may require the replacement of the CO with a suitable candidate.

³ The individual must hold a relevant professional qualification (e.g., ICA Diploma, Certified Anti-Money Laundering Specialist (CAMS), Certified Compliance & Ethics Professional (CCEP), Certified Regulatory Compliance Manager (CRCM), or Certified Fraud Examiner (CFE), or a legal or accounting designation.

- d. Would be independent⁴ from the client-facing side of the business, as well as any business lines or units;
 - e. Has sufficient resources, including time dedicated to the role and, where appropriate, support staff based on the size, nature, and complexity of the SFI;
 - f. Is able to satisfy the test of fitness and propriety as determined by the Central Bank, or in the case of an accountant or attorney, the relevant professional or licensing authority;⁵
 - g. Is reputable;⁶ and
 - h. Has a sound compliance history;
9. The Central Bank may, if it determines that a person is not, or is no longer a fit and proper person to serve as CO, issue an order removing that individual from the position and prohibit them from serving in that capacity.

ONGOING ASSESSMENT OF FITNESS AND PROPRIETY

10. SFIs are required to perform periodic self-assessments⁷ of their AML/CFT/CPF compliance frameworks. As part of this process, they must also conduct ongoing assessments of the fitness and propriety of the appointed CO. Fitness and propriety is not a one-time determination made at the time of appointment; it must be demonstrated and maintained throughout the individual's tenure. Accordingly, SFIs must:
- a. Reassess the CO's fitness and propriety as part of the compliance self-assessment process and at regular intervals (e.g., annually or at least once every three years), or more frequently where warranted. Periodic reassessments must consider, at minimum, factors such as:
 - i. Changes in the CO's role, responsibilities, authority, or reporting line;
 - ii. Significant internal audit, compliance, or control findings;
 - iii. Regulatory or supervisory concerns;
 - iv. Shifts in the SFI's size, complexity, business model, or risk exposure;
 - v. Changes in the regulatory landscape or supervisory expectations;
 - vi. The CO's ongoing competence, effectiveness and independence.

⁴ The individual should also not report to a person who has responsibility for managing any of these business lines or units.

⁵ The Central Bank may consider whether the individual is a member in good standing with the relevant professional organisation.

⁶ Please refer to Sections 25-26 of the Central Bank's Fit and Proper Guidelines.

⁷ Senior management is responsible for conducting the self-assessments, ensuring the ongoing fitness and propriety of the CO, and implementing corrective actions.

- b. Conduct event-driven reassessments in response to specific developments, including:
 - i. New information affecting the CO's reputation, integrity, or professional conduct (e.g., criminal charges, bankruptcy, or formal investigations);
 - ii. Disciplinary or enforcement actions by domestic or foreign regulatory authorities, or guidance, recommendations, or disciplinary measures issued by professional associations (e.g., the Bahamas Association of Compliance Officers ["BACO"]);
 - iii. Emerging or ongoing conflicts of interest that may compromise the CO's independence.
- 11.** The Board of Directors ("the Board") must formally review and challenge the adequacy and effectiveness of the AML/CFT/CPF framework, including the CO's ongoing fitness and propriety, as part of its annual compliance oversight responsibilities, and ensure that any identified issues are appropriately addressed. This includes a review of:
- i. The CO's effectiveness in implementing and maintaining the AML/CFT/CPF programme;
 - ii. AML/CFT/CPF policies for completeness, clarity and regulatory compliance;
 - iii. Key compliance performance indicators;
 - iv. Findings from onsite and offsite supervisory reviews and internal audits;
 - v. The CO's continued independence, authority, and access to resources.
- 12.** The SFI is required to maintain comprehensive records of all assessments conducted, including supporting documentation, the rationale, and details of any corrective actions taken. These records must be made available to the Central Bank upon request.
- 13.** The CO must participate in enhanced ongoing training (in addition to the annual AML training) to ensure continued professional competence in alignment with the evolving regulatory landscape. SFIs are encouraged to establish a minimum standard for continuing professional development, including documented learning activities in areas such as AML/CFT/CPF sanctions, and regulatory change. This is particularly important when the CO also serves as the MLRO. Although these are distinct regulated roles, training should address the full scope of responsibilities associated with both functions.

SUPERVISORY REVIEW OF FITNESS AND PROPRIETY

- 14.** In addition to the SFI's self-assessment obligations, the Central Bank may conduct its own assessment of the CO's fitness and propriety at any time, including but not limited to:

- i. Reviewing appointment submissions and declarations at the time of initial approval;
- ii. Periodic reassessments during supervisory cycles, thematic reviews, or onsite examinations;
- iii. Assessments triggered by supervisory concerns, whistleblower reports, or adverse regulatory findings;
- iv. Evaluation of the SFI's records, including records of internal assessments, Board oversight, and any remedial actions taken.

SUBMISSION IN SUPPORT OF AN APPLICATION

15. In addition to the documents listed in Appendix A of the Fit and Proper Guidelines, a comprehensive job description specific to the role must also be submitted in support of the applicant.
16. These Guidelines also expand on the criteria set out in Appendix A of the Fit and Proper Guidelines with respect to the organisational chart showing the reporting relationship.⁸

APPROVAL OF COMPLIANCE OFFICER⁹

17. SFIs **must** obtain the Central Bank's prior written approval before appointing an individual as a Compliance Officer.¹⁰ Accordingly, the approval requirements for regulated functions as outlined in Sections 10–12 of the Fit and Proper Guidelines apply.
18. Where an SFI is jointly regulated by two or more Regulators, it must apply the more stringent standard, unless otherwise explicitly permitted by the relevant Regulator.

REFUSAL OF AN APPLICATION FOR COMPLIANCE OFFICER¹¹

19. Where the Central Bank is of the view that the applicant seeking to be appointed as CO does not meet its standard of fitness and propriety, the Central Bank reserves the right to reject the application.

⁸ As a key part of the second line of defense, the CO must have unfettered access to, and maintain direct (i.e., straight line) reporting to the Board, for example, via the Audit Committee, Risk Committee, or other appropriate Board committee, and functional (i.e., dotted line) reporting to senior management. This structure ensures independent oversight of the controls established by the business units (first line of defense) and facilitates the effective management and communication of risks, issues and breaches.

⁹ Please refer to Sections 36-40 of the Central Bank's Fit and Proper Guidelines - *Assessment of Previously Approved Individuals*.

¹⁰ Retroactive approval to a position is no longer granted by the Central Bank.

¹¹ Please refer to Sections 16 – 17 of the Central Bank's Fit and Proper Guidelines.

OUTSOURCING OF COMPLIANCE FUNCTION¹²

20. The Central Bank recognises that based on the size, nature, and complexity of operations, certain SFIs may have a limited volume of transactions. In such cases, small credit unions may seek to have the role of the CO outsourced.¹³ Other SFIs may request the Central Bank's approval for an employee of the SFI to perform the CO function on a part-time basis, subject to supervisory review and consideration on a case-by-case basis.¹⁴
21. Where SFIs outsource the CO function, i.e., engage an external entity or individual to perform the CO function, the entity or individual must be resident in The Bahamas.¹⁵
22. The SFI's Board is ultimately responsible for the CO function, even when performed by an external entity or individual.
23. Where the CO function is performed by an external entity or individual, it is the responsibility of the Board to maintain adequate oversight, while senior management is responsible for ensuring effective management of all associated risks to the same extent as if the role was performed in-house.
24. Senior management is responsible for the day-to-day operation and supervision of the CO function and should ensure that where the role is undertaken by an external entity or individual, it is performed in accordance with the *Central Bank's Outsourcing Guidelines*.
25. In addition to the provisions within the Central Bank's Outsourcing Guidelines, SFIs should have regard to the following key principles:
- a. The rights and obligations of the SFI must be clearly allocated and set out in a written agreement.
 - b. The SFI relying on an outsourcing arrangement must remain accountable to monitor and oversee the quality of the service provided.
 - c. The outsourcing of the CO function cannot result in the delegation of the responsibilities of the executive management. Strategic decisions in relation to AML/CFT/CPF should **not** be outsourced. These decisions include, in particular:

¹² Please refer to Section IV of the Central Bank's [Guidelines on Minimum Standards for the Outsourcing of Material Functions](#).

¹³ Where the CO and MLRO are the same individual, SFIs must ensure that the combined role does not compromise the independence, authority, or effectiveness of either function. SFIs are required to implement appropriate safeguards, such as clear reporting lines and oversight mechanisms, to manage potential conflicts of interest and ensure compliance with these Guidelines.

¹⁴ Approval is subject to the criteria outlined in Section 8 of these Guidelines.

¹⁵ This provision also applies when the function is performed on a full-time or part-time basis.

- i. The approval of the business-wide ML/TF/PF risk assessment;
 - ii. The decision on the internal organisation of the AML/CFT/CPF framework of the SFI;
 - iii. The adoption of internal AML/CFT/CPF policies and procedures;
 - iv. The approval of the methodology used to determine the ML/TF/PF risk presented by a given business relationship and the assignment of the risk profile;
 - v. The approval of the criteria to be used by the SFI to detect suspicious or unusual transactions for its ongoing monitoring and/or reporting purposes.
26. SFIs remain ultimately responsible for the decision to report suspicious transactions to the Financial Intelligence Unit ("FIU"), including in situations where the identification and reporting of suspicious transactions is outsourced.

TERMINATION OF OUTSOURCING ARRANGEMENT

27. The Central Bank may direct an SFI to terminate its outsourcing arrangement, requiring the SFI to establish an in-house CO immediately, in the event there is a breach of regulatory requirements.

RISK MANAGEMENT PROGRAMME

28. The Central Bank requires SFIs to design and implement risk management policies¹⁶ that address all material risks, including risks associated with the compliance function.
29. The CO must be capable of developing and maintaining a documented compliance programme that is risk-based and proportionate to the size, nature, and complexity of the SFI's operations. This programme must be implemented within the broader compliance framework and should establish the methodology, documentation, and controls that support the CO's oversight responsibilities. The CO's key performance indicators and key responsibility indicators should form the operational foundation for identifying, assessing, monitoring, and reporting compliance risks.

GOVERNANCE AND OVERSIGHT OF THE COMPLIANCE FUNCTION

30. The Board is responsible for overseeing the management of compliance risk. The Board must approve and periodically review the SFI's compliance policy, which formally establishes the compliance function.
31. In discharging its oversight responsibilities, the Board is responsible for:
- i. Promoting a culture of integrity and ethical conduct across the institution;
 - ii. Considering findings that may arise from supervisory reviews, internal audits, external audits, and any other independent assurance activities;

¹⁶ To be reviewed at least annually by senior management and the Board, and more frequently where there are material changes in the SFI's risk profile, business activities, or regulatory environment.

- iii. Overseeing the CO's continued independence, authority, and access to adequate resources;
 - iv. Reviewing and satisfying itself as to the CO's ongoing fitness and propriety;
 - v. Reviewing key compliance performance indicators and management information used to monitor compliance risk.
- 32.** The Board should receive, at least annually, a report from senior management on the effectiveness of compliance risk management and any material compliance issues.
- 33.** Senior Management is responsible for:
- i. Establishing, implementing, and communicating the compliance policy and ensuring adherence across all levels of the institution;
 - ii. Ensuring that appropriate remedial or disciplinary actions are taken in response to compliance breaches; and
 - iii. Providing the CO with sufficient authority, independence, and resources to effectively carry out their responsibilities.
- 34.** The CO must be sufficiently skilled to ensure that compliance-related matters are clearly articulated to the Board during Board meetings and substantively communicated in reports to the Board and senior management. Reports should provide adequate detail to support informed oversight, including a summary of the issue, its potential impact, and the status of any remedial action. Periodic updates may incorporate key risk indicators and key performance indicators, and, where appropriate, be supported by management information systems tools, particularly in SFIs that rely significantly on outsourced functions or manual processes.

RELATIONSHIP BETWEEN COMPLIANCE FUNCTION AND INTERNAL AUDIT

- 35.** The compliance function and internal audit should maintain a cooperative and transparent working relationship, while preserving their respective roles, responsibilities, independence and objectivity.
- 36.** The compliance function is responsible for the design, implementation, and ongoing operation of the compliance framework, including:
- i. Advising management on applicable laws, regulatory requirements, and internal policies;
 - ii. Identifying, assessing, and monitoring compliance risks;
 - iii. Supporting management in the remediation of compliance-related deficiencies.
- 37.** Internal audit must provide independent and objective assurance to senior management and the Board, through the Audit Committee, Risk Committee, or other appropriate Board committee, should such a committee exist, on the adequacy and effectiveness of the compliance framework, governance arrangements, and related controls. Internal audit must also validate the accuracy of senior management's self-assessments and report

findings to the Board, and **must not** assume any operational or managerial responsibility for compliance activities.

38. The compliance function must:

- i. Provide internal audit with access to relevant compliance risk assessments, monitoring results, regulatory developments, and significant compliance issues;
- ii. Cooperate with internal audit by providing timely information, documentation, and access to personnel during audit engagements;
- iii. Coordinate and support remediation actions arising from audit findings related to compliance matters.

39. Internal audit must:

- i. Develop its audit plan using a risk-based approach, informed by its own independent risk assessment, and may consider the compliance function's risk assessments and monitoring outcomes as an input, but not as a substitute for its independent risk assessment;
- ii. Avoid unnecessary duplication of compliance monitoring activities;
- iii. Independently assess and validate the effectiveness and sustainability of remediation actions implemented by management and the compliance function.

40. The adequacy and effectiveness of the compliance function will be subject to periodic independent review by the internal audit function. Such reviews must be conducted objectively and without undue influence from the compliance function or management.

41. The independence and objectivity of internal audit must not be compromised. Accordingly:

- i. Internal Audit must not design, implement, or operate compliance controls;
- ii. The compliance function must not influence internal audit's audit scope, methodology, judgements, ratings, or conclusions; and
- iii. The CO's performance evaluation and remuneration must not be linked to the performance of any business unit, to preserve the independence and objectivity of the compliance function.

42. Internal audit must report functionally to the Board or Audit Committee of the Board and administratively to senior management.

43. The compliance function must report administratively to senior management and directly to the Board or a designated Board committee, in accordance with the SFI's governance framework.

44. Material compliance issues, significant audit findings, or unresolved disagreements between the compliance function and internal audit regarding risk assessment, findings, or remediation must be escalated to senior management and, where appropriate, to the

Audit Committee, or designated Board committee within five (5) working days of becoming aware of the matter.

45. Coordination between the compliance function and internal audit must be supported through regular meetings and structured information-sharing arrangements, without compromising reporting lines, accountability, or independence.

CROSS-BORDER COMPLIANCE

46. The compliance function should support the SFI in promoting compliance with applicable local laws, regulations, supervisory requirements, and internal policies across its operations, subsidiaries, branches, and affiliates in relevant jurisdictions, while taking into consideration the institution's broader compliance framework.

47. In executing cross-border compliance responsibilities, the compliance function should, as appropriate:

- i. Identify and assess regulatory and compliance risks in the jurisdictions in which the institution operates;
- ii. Support the adaptation of policies, procedures, and controls to reflect applicable local requirements, while taking into account the institution's broader framework and standards;
- iii. Liaise with local compliance teams, senior management, and, where applicable, the regional or global compliance function to facilitate effective management of regulatory obligations;
- iv. Monitor relevant regulatory developments in applicable jurisdictions and consider their potential implications for the institution's compliance program;
- v. Facilitate timely escalation of material cross-border compliance issues to senior management and the Board, through the Audit Committee, Risk Committee, or other appropriate Board committee;
- vi. Support training, awareness, and communication programmes across jurisdictions to promote consistent compliance culture and understanding of regulatory expectations.

48. The compliance function should maintain appropriate documentation of cross-border compliance activities sufficient to support oversight, internal review, or independent audit, and to evidence consideration of applicable regulatory requirements.

CENTRAL BANK REPORTING AND DISCLOSURE REQUIREMENTS

49. The Central Bank expects the Head of Compliance to report any material¹⁷ compliance issues that could significantly affect the SFI's operations promptly, and in any event no later than seven (7) business days after becoming aware of the issue. This includes

¹⁷ Material compliance issues are issues or violations, which in the opinion of the Compliance Officer, could have a substantial impact on the organisation's legal or regulatory standing, financial stability, reputation or operational success (please refer to Sections 33-35 of the Central Bank's Fit and Proper Guidelines).

instances where the CO no longer meets the fitness and propriety standards, or where remedial measures (e.g., reassignment or temporary removal¹⁸) have been implemented.

- 50.** Annually, within 120 days of the end of each calendar year, the Head of Compliance is required to provide a certification¹⁹ to the Central Bank relative to the required disclosures.

¹⁸ Where a Compliance Officer is removed, reassigned, or otherwise unable to perform their functions, the SFI is expected to maintain appropriate succession planning and continuity arrangements. This includes seeking the Central Bank's approval for the designation of an interim Compliance Officer, pending the appointment and approval of a permanent replacement (please refer to Sections 13-15 of the Central Bank's Fit and Proper Guidelines).

¹⁹ Appendix A - Annual Certification Template.

APPENDIX A**Head of Compliance²⁰ Annual Certification to the
Central Bank of The Bahamas²¹**

[The written certification²², required annually, within 120 days after the end of each calendar year, must be signed by the Head of Compliance and must contain the following:]

1. A statement confirming that the Compliance Officer has notified the Central Bank of The Bahamas of any limitations or obstacles encountered in complying with regulatory requirements, including any challenges in obtaining necessary information to ensure effective compliance monitoring.
2. A statement confirming that the Compliance Officer has communicated any material compliance issues or findings, particularly in relation to AML/KYC controls and other regulatory obligations, to the Central Bank of The Bahamas.
3. A statement confirming that the Compliance Officer, whether full-time, part-time, or outsourced personnel, has participated in documented, ongoing training/professional development on relevant topics to ensure their continued ability to perform their duties and remain current with regulatory requirements and expectations.
4. Where applicable, a statement confirming that proper oversight and monitoring mechanisms are in place for outsourced personnel, including verifying the competence, qualifications, and performance of any third-party Compliance Officer to ensure they meet regulatory requirements and standards.
5. A statement confirming that the Compliance Officer's responsibilities are clearly defined in a comprehensive, role-specific job description that is reviewed and updated as necessary.
6. A statement confirming that the Compliance Officer has undergone a formal and comprehensive performance evaluation, conducted at least annually.
7. A statement confirming that the Compliance Officer is independent from the client-facing side of the business, as well as any business lines or units, and does not report to an individual who has responsibility for managing any of these business lines or units.
8. A statement confirming that no known conflicts of interest exist that may compromise the Compliance Officer's ability to effectively perform their duties.

²⁰Describes the role of the individual in the most senior position responsible for effectively managing the compliance function in accordance with the key elements of the Compliance Officer Guidelines. The Head of Compliance must be a member of senior management and must not hold direct business line responsibilities.

²¹ The supporting evidence, or the basis for asserting compliance with each requirement must be indicated.

²² SFIs are required to file the Head of Compliance Annual Certification via ORIMS.