



SUPERVISORY AND REGULATORY GUIDELINES: 2026
COMPLIANCE OFFICER GUIDELINES
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**GUIDELINES TO ASSESS THE FITNESS AND PROPRIETY OF
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 possesses the necessary knowledge, experience, competence, and capability to effectively perform the functions of a CO.¹ The Central Bank, however, 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.² The Guidelines should be read in conjunction with the following which include, but are not limited to the:³
 - i. *Guidelines for Assessing the Fitness and Propriety of Applicants for Regulated Functions (“Fit and Proper Guidelines”);*

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

² These Guidelines apply to COs and do not extend to compliance personnel who support the CO in carrying out their responsibilities.

³ SFIs are responsible for remaining familiar with and complying with the applicable regulatory requirements, legislation, and guidance relevant to their operations.

- ii. *Guidelines for Assessing the Fitness and Propriety of Money Laundering Reporting Officers (MLRO) in The Bahamas;*
 - 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”);*
 - v. *Guidelines for Internal Auditors and Audit Committees; and*
 - vi. *Guidance Note on the Sound Management of Risks Related to Financial Crime in The Bahamas.*
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.⁴
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.⁵

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 qualifications⁶, that they have a sound knowledge of the relevant laws, regulations, and industry-specific guidelines applicable to SFIs within The Bahamas;

⁴ 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.

⁵ Where a dual-role arrangement results in overextension or otherwise impacts the individual’s ability to effectively discharge their responsibilities, the SFI is expected to take appropriate remedial action, which may include separating the functions.

⁶ 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.

- b. Has extensive practical experience⁷ 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, and update the SFI's compliance policies and procedures;
 - d. Would be sufficiently independent⁸ from the client-facing functions and any business lines or units subject to their oversight, and would not be subject to undue influence from business or revenue-generating functions that could impair their ability to effectively discharge the compliance function;
 - 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;⁹
 - g. Is reputable;¹⁰ and
 - h. Has a sound compliance history demonstrating adherence to applicable laws, regulatory requirements, and professional standards.
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.¹¹

⁷ Each application will be assessed on its own merits, taking into consideration the size, nature, and complexity of the SFI, as well as the individual's overall knowledge, competencies, and relevant practical experience.

⁸ The individual should also not report to a person responsible for managing client-facing or revenue-generating functions, or any business line or unit subject to the CO's oversight.

⁹ The Central Bank may consider whether the individual is a member in good standing with the relevant professional organisation.

¹⁰ Please refer to Sections 25-26 of the Central Bank's Fit and Proper Guidelines.

¹¹ Please refer to Part VII, Sections 73-75 of the BTCRA.

ONGOING ASSESSMENT OF FITNESS AND PROPRIETY¹²

10. SFIs are required to perform periodic self-assessments¹³ of their 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.
- 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.¹⁴

11. The Board of Directors ("the Board") must formally review and challenge the adequacy and effectiveness of the compliance framework, including the CO's ongoing fitness and propriety, as part of its annual compliance oversight responsibilities, and ensure that any identified deficiencies are appropriately addressed. Where the CO also serves as MLRO,

¹²The assessments outlined in this section establish the minimum requirements for the ongoing assessment of a CO's fitness and propriety. SFIs may implement additional assessment measures where appropriate, based on the size, nature, and complexity of their operations.

¹³ Senior management is responsible for overseeing the conduct of self-assessments, ensuring the ongoing fitness and propriety of the CO, and ensuring that appropriate corrective actions are implemented.

¹⁴ A conflict of interest for a CO exists where any competing duties, responsibilities, or personal interests compromise, or could reasonably be perceived to compromise, the CO's independence, objectivity, or ability to effectively perform their obligations.

the Board's review must also consider the effectiveness of the CO in discharging their AML/CFT/CPF responsibilities. This includes a review of:

- i. The CO's effectiveness in discharging their responsibilities and performing their compliance responsibilities;
- ii. The adequacy and effectiveness of the policies, procedures, and controls relevant to the CO's responsibilities;
- iii. Key compliance performance indicators and, where the CO also serves as MLRO, relevant AML/CFT/CPF risk and compliance indicators;
- iv. Findings from onsite and offsite supervisory reviews, internal audits, and compliance reviews, and other relevant assurance activities;
- v. The CO's continued independence, authority, access to the Board, and access to resources necessary to effectively discharge their responsibilities;
- vi. The CO's continued competence, knowledge, skills, and experience relevant to their responsibilities;
- vii. Any material conflicts of interest, changes in the CO's responsibilities or reporting arrangements, or other matters that may affect the CO's ability to effectively and independently discharge their responsibilities.

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 training¹⁵ (in addition to the annual AML training) to maintain professional competence and remain current with the evolving regulatory landscape. SFIs should establish a minimum standard for continuing professional development, supported by documented learning activities in areas relevant to the CO's responsibilities, including AML/CFT/CPF, sanctions, and regulatory developments. Where the CO also serves as the MLRO, the individual should receive training covering the full scope of responsibilities associated with both functions. Although the CO and MLRO are distinct regulated functions, training should ensure that the individual remains competent to effectively discharge each function and understands the respective responsibilities and accountabilities associated with each role.

¹⁵ Training may be delivered internally or externally and may include programmes provided by professional bodies, industry associations or regulatory authorities, provided that the training is relevant to the CO function and addresses, at a minimum, the areas outlined in this section.

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, declarations and other relevant information 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, training, 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.¹⁶

APPROVAL OF COMPLIANCE OFFICER¹⁷

17. SFIs **must** obtain the Central Bank's prior written approval before appointing an individual as CO.¹⁸ 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.

¹⁶ As a key part of the second line of defence, 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 maintain an administrative (i.e., dotted line) reporting relationship with senior management. This structure ensures independent oversight and challenge of controls operated by the business units (first line of defence) and facilitates the effective identification, escalation, management and communication of risks, issues and breaches.

¹⁷ Please refer to Sections 36-40 of the Central Bank's [Fit and Proper Guidelines – Assessment of Previously Approved Individuals](#).

¹⁸ Retroactive approval to a position is no longer granted by the Central Bank.

REFUSAL OF AN APPLICATION FOR COMPLIANCE OFFICER¹⁹

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.²⁰

OUTSOURCING OF COMPLIANCE FUNCTION²¹

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.²² 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.²³
21. Where SFIs outsource the CO function, i.e., engage an external service provider²⁴, the SFI must ensure that a suitably qualified and identifiable individual is designated as responsible for performing the CO function. The designated individual must be resident in The Bahamas.²⁵
22. The SFI's Board retains ultimate responsibility and accountability for the SFI's compliance function, including where the CO function is performed by an external service provider.
23. Where the CO function is performed by an external service provider, it is the responsibility of the Board to maintain adequate oversight, while senior management remains responsible for its day-to-day operation and supervision, including ensuring that adequate controls are in place and that the arrangement is appropriately managed, monitored and controlled. Senior management should also ensure that all associated risks are managed to the same extent as if the role were performed in-house and that the outsourced function is performed in accordance with the Central Bank's Outsourcing Guidelines.

¹⁹ Please refer to Sections 16 – 17 of the Central Bank's Fit and Proper Guidelines.

²⁰ Please refer to Part VII, Sections 73-75 of the BTCRA.

²¹ Please refer to Section IV of the Central Bank's [Guidelines on Minimum Standards for the Outsourcing of Material Functions – Central Bank Notification Requirements](#).

²² 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.

²³ Part-time performance of the CO function by an employee of the SFI, including alongside other responsibilities within the SFI, is not considered outsourcing. Approval is subject to the criteria outlined in Section 8 of these Guidelines.

²⁴ External service provider means an individual or entity, including an affiliated or related entity, engaged by the SFI to perform the CO function on an outsourced basis.

²⁵ This provision also applies when the function is performed on a full-time or part-time basis.

24. 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 must not result in the delegation or transfer of the responsibilities of executive management. Strategic decisions relating to the SFI's AML/CFT/CPF framework must **not** be outsourced. These decisions include, in particular:
 - i. The approval of the business-wide ML/TF/PF risk assessment;
 - ii. Decisions relating to the internal organisation and governance of the SFI's AML/CFT/CPF framework;
 - 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 associated with a business relationship and the assignment of the corresponding risk profile;
 - v. The approval of the criteria to be used by the SFI to detect suspicious or unusual transactions for both its ongoing monitoring or reporting purposes.

25. SFIs remain ultimately responsible for fulfilling their statutory obligations to identify and report suspicious transactions to the Financial Intelligence Unit ("FIU"), notwithstanding the outsourcing of the CO function.

TERMINATION OF OUTSOURCING ARRANGEMENT

26. 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

27. The Central Bank requires SFIs to design and implement risk management policies²⁶ that address all material risks, including risks associated with the compliance function.

28. The CO must develop and maintain a documented compliance programme that is risk-based and proportionate to the size, nature, complexity and business model of the SFI's operations. This programme must be implemented within the broader compliance

²⁶ 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.

framework and should establish the methodology, documentation, and controls that support the CO's oversight responsibilities. The compliance programme should provide the operational foundation for identifying, assessing, monitoring, and reporting compliance risks. Appropriate performance measures, including key performance indicators, should be established to assess the effective discharge of the CO's responsibilities and the effectiveness of the compliance programme.

GOVERNANCE AND OVERSIGHT OF THE COMPLIANCE FUNCTION

29. The Board is responsible for overseeing the management of compliance risk. The Board must approve and periodically review the SFI's compliance policy, which establishes the framework for an effective and independent compliance function.

30. 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 arising from supervisory reviews, internal audits, external audits, and other independent assurance activities;
- 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.

31. The Board should receive, at least annually, a report from the Head of Compliance²⁷ on the effectiveness of the compliance risk management framework and any material compliance issues.²⁸

32. 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.

²⁷ Describes the role of the individual in the most senior position responsible for effectively managing the compliance function or, where the CO function is performed by an external service provider, overseeing the compliance function in accordance with the key elements of the Compliance Officer Guidelines. The role of Head of Compliance is distinct from the role of CO. The Head of Compliance must be a member of senior management and must not have direct business line responsibilities. The responsibilities and obligations associated with this role apply to the individual in that role and do not apply to COs solely by virtue of their appointment as CO.

²⁸ Material compliance issues should be promptly reported to the Board.

33. 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, particularly in SFIs that rely significantly on outsourced functions or manual processes.
34. The CO must have sufficient independence and authority to effectively discharge their responsibilities and must not be subject to undue influence from business or revenue-generating functions, including customer relationship management, sales activities, or the receipt, transfer, or payment of funds. SFIs must identify and manage any potential conflicts of interest arising from the CO's other responsibilities.
35. The CO must disclose to the Board, or an appropriate Board committee where applicable, any other roles, financial interests, relationships, or actual or potential conflicts of interest that may affect their ability to effectively discharge their responsibilities.
36. SFIs must identify, assess, and manage actual, potential, or perceived conflicts of interest to ensure that they do not impair the CO's ability to effectively discharge their responsibilities, including the timely escalation of compliance concerns to the Board or appropriate Board committee, and the maintenance of effective compliance controls.
37. SFI's must ensure that the CO's remuneration arrangements do not create incentives that could compromise the CO's independence, objectivity, or ability to effectively discharge their responsibilities. In particular, remuneration should not be directly linked to the performance of any business line or revenue-generating activity for which the CO has oversight responsibilities.

RELATIONSHIP BETWEEN COMPLIANCE FUNCTION AND INTERNAL AUDIT

38. The compliance function and internal audit must maintain a cooperative and transparent working relationship, including appropriate communication and information sharing, while preserving their respective roles, responsibilities, independence and objectivity. Cooperation between the functions must not compromise the independence of internal audit or result in either function assuming responsibilities properly assigned to another line of defence.
39. The CO is responsible for overseeing the design, implementation, and ongoing operation of the compliance framework, including:

- i. Advising the Board and senior management on applicable laws, regulatory requirements, and internal policies;
- ii. Monitoring and assessing compliance with applicable laws, regulatory requirements, and internal policies;
- iii. Identifying, assessing, monitoring, and reporting compliance risks;
- iv. Supporting management in the remediation of compliance-related deficiencies; and
- v. Escalating material compliance risks, breaches, and deficiencies to the appropriate level of management and, where appropriate, the Board or relevant Board committee.

40. The CO must facilitate internal audit's ability to perform its independent assurance role by:

- i. Providing internal audit with access to relevant compliance risk assessments, monitoring results, regulatory developments, and material compliance issues;
- ii. Cooperating with internal audit by providing timely information, documentation, and access to relevant personnel during audit engagements; and
- iii. Supporting and monitoring, within the CO's second-line responsibilities, the remediation of deficiencies identified through audit findings, without assuming management's responsibility for implementing corrective actions.

41. Internal audit represents the third line of defence and must remain independent from both the first and second lines of defence. Internal audit is responsible for providing independent and objective assurance to senior management and the Board. This assurance includes an audit review on the adequacy and effectiveness of the compliance and risk management framework, governance arrangements, and related controls which should be reported to the Audit Committee, Risk Committee, or other appropriate Board committee charged with such function.

42. Internal audit must not assume responsibility for managing compliance activities, including responsibility for designing, implementing or operating such controls. Findings that arise from internal audit reviews, including significant compliance control weaknesses and the status of remediation actions, must be reported to the Audit Committee or an equivalent oversight body.

43. 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 in response to audit findings and identified control deficiencies, taking into account relevant information or input from the CO where appropriate, while maintaining its independent and objective assurance role.
- 44.** 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 CO or management.
- 45.** The independence and objectivity of internal audit must not be compromised. Accordingly, the CO must not influence internal audit's scope, methodology, judgements, ratings, or conclusions.
- 46.** The Head of Internal Audit must report functionally to the Chair of the Audit Committee or the Chair of the Board and must have direct, unrestricted access to the Audit Committee and the Board.
- 47.** The compliance function must report directly to the Board or a designated Board committee and administratively to senior management, in accordance with the SFI's governance framework.
- 48.** Material compliance issues, significant audit findings, or unresolved disagreements between the compliance function and internal audit regarding risk assessment, findings, or remediation actions must be escalated to senior management and, where appropriate, to the Audit Committee, or designated Board committee within five (5) business days of becoming aware of the matter.²⁹
- 49.** 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

- 50.** The CO 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.

²⁹ Notification to the Audit Committee or designated Board Committee within the prescribed timeframe satisfies the escalation requirement, with further discussion or action to be scheduled as necessary.

51. In executing cross-border compliance responsibilities, the CO 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, policies, 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 and compliance obligations;
- iv. Monitor relevant regulatory developments in applicable jurisdictions and consider their potential implications for the institution's compliance framework, policies, and operations;
- v. Facilitate the timely escalation of material cross-border compliance risks, breaches, and regulatory 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 a strong and consistent compliance culture and understanding of regulatory expectations.

52. The compliance function should maintain appropriate documentation of cross-border compliance activities sufficient to support effective oversight, internal review, regulatory examination, or independent audit. Documentation of cross-border activities should also demonstrate consideration of applicable local laws, regulations, supervisory requirements and regulatory expectations.

CENTRAL BANK REPORTING AND DISCLOSURE REQUIREMENTS

53. The Central Bank expects the Head of Compliance to promptly report any material³⁰ compliance issues that could significantly affect the SFI's operations, no later than seven (7) business days after becoming aware of the issue. This includes instances where the CO no longer meets the fitness and propriety standards, or where remedial measures (e.g., reassignment or temporary removal³¹) have been implemented.³² In determining

³⁰ Material compliance issues are issues or violations, which in the opinion of the CO, 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).

³¹ Where a CO 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 CO, pending the appointment and approval of a permanent replacement (please refer to Sections 13-15 of the Central Bank's Fit and Proper Guidelines).

³² The requirement is not intended to require a full investigation or determination of all relevant facts before notification is made.

whether a compliance issue is material and could significantly affect an SFI's operations, the Head of Compliance is expected to exercise reasonable professional judgement, having regard to the information available at the time.

54. Annually, within 120 days of the end of each calendar year, the Head of Compliance is required to provide a certification and the Senior Official I is required to provide an acknowledgement³³ to the Central Bank in respect of the required disclosures.
55. Where, having regard to the size, nature, and complexity of the SFI, the CO also serves as the Head of Compliance, the individual must have the appropriate authority, independence, and access to the Board necessary to effectively discharge the responsibilities of the Head of Compliance. In such circumstances, the CO must be a member of senior management and must have unfettered access to, and maintain direct (i.e., straight line) reporting to the Board, and maintain an administrative (i.e., dotted line) reporting relationship with senior management in respect of the discharge of the compliance function.³⁴

³³ Appendix A - Annual Certification and Acknowledgement Templates.

³⁴ Where the same individual serves as both CO and Head of Compliance, the requirements applicable to each role apply to that individual in their respective capacities.

APPENDIX A

Head of Compliance Annual Certification to the Central Bank of The Bahamas³⁵

[The written certification³⁶, 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. The Compliance Officer has promptly notified the Central Bank of any limitations or impediments that could adversely affect their ability to effectively discharge their responsibilities, including any restrictions on access to information, systems, personnel, or other resources necessary to effectively perform the compliance function.
2. The Compliance Officer has communicated, or caused to be communicated, to the Central Bank any material compliance issues or findings within the scope of their responsibilities and oversight, including deficiencies in compliance systems and controls, breaches of applicable legal or regulatory requirements, and compliance risks identified through monitoring, reviews, investigations, audit findings, or engagement with competent authorities.
3. The Compliance Officer has sufficient authority, resources, and access to information to effectively and independently discharge their responsibilities and is not subject to undue influence from business or revenue-generating functions. Further, the Compliance Officer does not report to an individual responsible for managing such functions. Where deficiencies in authority, resources, independence, or access to information have been identified, such deficiencies have been documented and escalated to senior management, the Board of Directors, and, where appropriate, the Central Bank.
4. The SFI maintains appropriate records supporting the compliance function, including records relating to compliance monitoring, assessments, material compliance issues, regulatory communications, and remedial actions, and such records are maintained and retained in accordance with applicable legal and regulatory requirements.
5. The SFI maintains an appropriate risk-based compliance monitoring and escalation framework that supports the timely identification, assessment, escalation and management of material compliance risks and issues.
6. The Compliance Officer remains fit and proper to perform their role and possesses the knowledge, competence and experience necessary to discharge their responsibilities. The Compliance Officer has maintained awareness of applicable legislative and regulatory requirements, and supervisory expectations relevant to the

³⁵ The supporting evidence, or the basis for asserting compliance with each requirement must be indicated.

³⁶ SFIs are required to file the Head of Compliance Annual Certification via ORIMS. Where the CO also serves as MLRO, the MLRO Annual Certification must also be completed and submitted via ORIMS.

- SFI's business model and emerging regulatory and compliance risks and developments.
7. The Compliance Officer has participated in documented, ongoing training/professional development relevant to their responsibilities to maintain their competence and remain current with applicable legal and regulatory requirements, supervisory expectations, and compliance risks.
 8. The Compliance Officer's role, responsibilities, and reporting lines are clearly documented in a role-specific job description or equivalent document that is reviewed and updated as necessary.
 9. The Compliance Officer has disclosed any actual, potential, or perceived conflicts of interest that could impair their independence or ability to effectively perform their responsibilities, to the extent known to the Compliance Officer, and appropriate measures have been implemented to manage or eliminate such conflicts.
 10. To the best of the Head of Compliance's knowledge, there is no other material matter that has not been disclosed to the Central Bank that could reasonably be expected to adversely affect the effectiveness of the SFI's compliance framework or the ability of the Compliance Officer to perform their responsibilities.

Name: _____

Signature: _____

Date: _____

Acknowledgement by Senior Official I³⁷

I acknowledge that the Head of Compliance Annual Certification has been reviewed by senior management and that, to the best of my knowledge and belief, the SFI has taken appropriate steps to support the effective performance of the compliance function and to ensure compliance with applicable legal and regulatory requirements.

I further acknowledge that:

- a) The SFI has provided the compliance function with appropriate governance support, including sufficient authority, resources, independence and access to information necessary for the effective discharge of the Compliance Officer's responsibilities.
- b) The Compliance Officer has undergone a formal and comprehensive performance evaluation conducted at least annually.
- c) Where the CO function is outsourced, the SFI has established appropriate oversight and monitoring mechanisms in respect of the outsourced CO arrangement, including ongoing due diligence and performance monitoring of the outsourced CO. The SFI retains ultimate responsibility and accountability for compliance with its legal and regulatory obligations.
- d) Where, in accordance with paragraph 55, the Compliance Officer also serves as the Head of Compliance, the individual is a member of senior management and has the appropriate authority, independence, resources, and unfettered access to the Board necessary to effectively discharge the responsibilities of the Head of Compliance. The individual maintains direct reporting to the Board and an administrative reporting relationship with senior management in respect of the discharge of the compliance function.

Name: _____

Signature: _____

Title: _____

Date: _____

³⁷ SFIs are required to file the Acknowledgement by the Senior Official I via ORIMS.