



BAHAMIAN APPROACHES TO INTERNATIONAL BANKING RULES

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Where do the Rules Come From?

- Prudential rules: Basel Committee
- AML/CFT: FATF



Benefits of International Rules

- Cross border comparability
- Vaccination—herd protection
- Expert rule-makers



The Drawbacks of International Rules

- The rules aren't made by or for The Bahamas
- BCBS focus is on huge, multinational banks
- FATF focus is on avoiding risk at all costs
- Reaching consensus leads to complexity
- Reduces small country sovereignty



What Happens if The Bahamas is Less Than Compliant?

- FSAP: Sovereign credit ratings, cross border credit access
- FATF: Correspondent banking relationships
- Downside cases: credit squeeze, inability to access foreign currency, closed banks, impaired economy



FSAP Comparison Table

Country	Compliant	Largely Compliant	Partially Compliant	Noncompliant
Bahamas 2012	21	9	0	0
UK	20	9	0	0
USA	18	11	0	0
Canada	22	7	0	0
Singapore	25	4	0	0



A New Bahamian Approach on Prudential Rules

- Former approach: comply and make fit locally
- New approach: three rule classes:
 - International Compliance
 - Useful
 - Combination of the two
- Compliance rules: meet the international rule at minimum (ideally zero) local cost
- Useful rules: do what makes sense for The Bahamas
- Combination: Balance safety, efficiency, competition, while remaining compliant



Implications for Bahamian Prudential Rules

- Much simpler
- More conservative than Basel minimum
- More stable
- Lower compliance costs



COMPARABLE FATF EFFECTIVENESS ASSESSMENTS

	High	Substantial	Moderate	Low
Bahamas 2017	0	0	5	6
Jamaica 2017	0	1	4	6
USA 2016	4	4	2	2
Canada 2016	0	5	5	1
Singapore 2016	0	4	6	1



COMPARABLE FATF TECHNICAL COMPLIANCE RATINGS

	Compliant	Largely Compliant	Partially Compliant	Noncompliant
Bahamas 2007	12	6	20	2
Bahamas 2017	8	10	21	1
Jamaica 2017	6	11	21	2
USA 2016	9	20	6	4
Canada 2016	11	18	6	5
Singapore 2016	18	16	6	0



Why no FATF Progress?

- Some items: because we made no progress
- Other items: because standards keep lifting
- Result: The Bahamas is in essence on probation
- Another evaluation scheduled for 2018



The Central Bank's FATF Strategy

- Create a comprehensive AML/CFT supervision framework
- Clarify guidelines/regulations where possible
- Expand industry participation
- Work with Government on legislation and enforcement
- Work with other regulators on open issues
- May 2018 delivery date



What does Continuous AML/CFT supervision look like?

- Yet to be fully developed
- Annual cycle of formal review
- Mainly document based with some data
- Closer engagement with MLROs, compliance, audit
- More and sharper supervisory interventions



Can the Central Bank Help Industry Reputation?

- Annual report on AML/CFT in Bahamas—Like Financial Stability Report?
- Annual AML/CFT conference?
- Provision of annual status letter to each relevant SFI?
- Helps with correspondents?



What Do We Need From Industry?

- Continued compliance with legislation, guidelines
- From compliance to risk management
- Clear unverified accounts
- STRs
- Be prepared to spend some money
 - Third party review?
 - More statistics?



The Special Case of Low Risk Bank Accounts

- “Risk-based” seems to mean “lots of paperwork”
- Maybe move to menu-based system?
- Safe harbor for complying banks?



Summary on AML/CFT

- We must improve, and rapidly
- We have a lot of work in front of us.
- Industry participation and cooperation is critical.
- The stakes are high



Thank you