



THE CENTRAL BANK OF THE BAHAMAS

QUARTERLY LETTER ON REGULATORY AND SUPERVISORY DEVELOPMENTS

BANK SUPERVISION DEPARTMENT

February 13, 2019



QUARTERLY LETTER

At the Industry briefing held on December 11, 2018, we foreshadowed much of our strategic priorities for 2019. We will continue to embark on an aggressive work agenda aligned with the Central Bank's Strategic Plan, supplemented by agreed actions emanating from the ongoing strengthening around Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) supervision as well as address gaps identified through the recent Financial Sector Assessment Program. Much of the fourth quarter of 2018 was focused on accelerating the Central Bank's communication strategy around AML/CFT, which also dovetailed with operationalizing the new Board Engagement Policy. In the first quarter of 2019, we will continue with the release of the AML/CFT Letters addressed to the Board of Supervised Financial Institutions (SFIs).

We would have recently issued a Press Release advising of the posting of the finalized version of the annual AML Publication to the Central Bank's website. While the Central Bank spearheaded this effort, it demonstrated a key milestone in terms of the cooperation and collaboration with inputs coming from the other members of the Group of Financial Service Regulators, the Financial Intelligence Unit as well as the Office of the Attorney General. We are pleased with this accomplishment and will use this as well as other multifaceted approaches to highlight the collaborative progress being made to remediate the gaps identified from the Mutual Evaluation Process.

CFATF Technical Compliance Re-rating

The Caribbean Financial Action Task Force has substantially upgraded its assessment of Bahamian technical compliance with the FATF global standards, with 13 of 40 areas upgraded.¹ The Central Bank along with many public and private sector persons continue to work to improve the Bahamian reputation for sound AML risk management.

¹ <https://www.cfatf-gafic.org/index.php/documents/4th-rd-follow-up-reports/the-bahamas-2/10985-the-bahamas-1st-fur>

Financial Sector Assessment Program (FSAP)

As highlighted earlier, the International Monetary Fund (IMF) conducted an FSAP of The Bahamas during January 8-28, 2019. The Mission covered a range of themes in the context of financial stability, safety and soundness as regards to the Basel Core Principles and Crises Management. The IMF Team held meetings with Government Officials from the Ministry of Finance, Ministry of Financial Services, Ministry of Transport, Attorney General's Office, the domestic Regulators, i.e., the Central Bank, the Securities Commission and the Insurance Commission, and various industry participants. We convey our sincere thanks to the various financial institutions for your participation in the many meetings held with the IMF Team members over the given period. We are now in the process of reviewing the various draft reports submitted by the Mission Team.

Implementing Basel II & III

We continue to progress our work in this area and take this opportunity to remind you of the [Liquidity Discussion Paper²](#) and the accompanying Liquidity QIS Template, released on December 24, 2018 for a sixty-day consultation period. We look forward to receiving your comments and the completed template by the February 28 due date.

Electronic Documents and KYC Requirements

SFIs are reminded that effective know your customer processes are essential to good risk management. We have had a number of queries about whether or not electronic copies are sufficient for KYC purposes, as opposed to physical copies.

The core requirement is that *valid* copies are taken for customer identification purposes, either in hard copy or electronic copy. The Central Bank will allow SFIs to deploy electronic applications for such purposes, provided that the application is designed to generate very high confidence that the copy is valid. This would normally require a specialist document verification application. Simply taking a photo of a document and emailing it (for example) would not meet the document validity test.

Applications Manual

Bank Supervision Department's Applications Manual (formerly External Stakeholder's Manual) was finalized and is available on our website³. SFIs may use this for the administration of applications that fall under the remit of the department.

² <https://www.centralbankbahamas.com/news.php?id=16511&cmd=view>

³ <https://www.centralbankbahamas.com/download/020334700.pdf>

MLRO Reporting Line

SFIs are reminded that when submitting applications in support of the appointment of an MLRO, the Central Bank expects that the organizational chart reflects a straight (direct) line reporting of the MLRO to the Board of Directors and a dotted (functional) line reporting to their immediate supervisor. This is to ensure that the MLRO has unrestricted access to the Board of Directors.

On-line Reporting & Information Management Systems (ORIMS)

In reference to the filing of financial and statutory returns, SFIs are reminded of the following:

- All returns are to be filed through ORIMS. Emailed returns are no longer accepted, unless an SFI has been advised otherwise. Therefore, no filing will be considered received by the Central Bank until it has been submitted into the ORIMS portal.
- To facilitate the generation of the Annual Statement Return, SFIs are required annually to provide the date of their Annual General Meeting to the ORIMS Help Desk or the respective supervisory team.
- Any changes or corrections to the ERS Financial Return submission (made via Excel upload) must be initiated through a request for re-submission.
- SFIs requiring access to the ORIMS portal should submit the below information for designated users.

User Access Credentials
First Name: _____
Last Name: _____
Entity: _____
Email: _____
Telephone (International): _____
Telephone (Local): _____
Primary & Secondary FRA

Risk Assessments

All SFIs are reminded that the first submission of the most recent, Board-approved enterprise-wide risk assessment, inclusive of a comprehensive money laundering/terrorist financing (ML/TF) risk assessment is required to be submitted electronically by **April 30, 2019**, using the On-line Reporting and Information Management System (ORIMS) portal. Failure to submit the risk assessments will subject SFIs to the applicable Administrative Monetary Penalties. While there is no prescribed template for the assessments, SFIs should ensure that risk assessments detail the relevant inherent risks and controls, as well as indicate individual and overall/net ratings. Additionally, ML/TF risk assessments should meet the requirements outlined in Section 25 of the AML/CFT/CPF Guidelines, last revised on August 29, 2018.

Public Engagement

We will release very shortly our 2019 Calendar of Public Engagement with our Supervised Financial Institutions in order to provide advance notification for planning purposes.

Charles Littrell

Charles Littrell

Inspector of Banks & Trust Companies

Any questions regarding this letter should be directed to:

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