

The Central Bank of The Bahamas

BANK SUPERVISION DEPARTMENT

Quarterly Letter to All Senior Officials 03/14

Email: Email Address

Licensee: Name

Dear Senior Official,

In our previous Quarterly Letter, we noted the passage of **Act No. 25 of 2014**, which amended section 27 of the Banks and Trust Companies Regulation Act to allow for annual licence fees to be collected by the Bank and remitted to the Treasury, and also the fine-tuning of our internal processes to facilitate this change. We have since completed our internal process and all of the relevant details have been communicated to you, via Notices dated 13th and 15th August, 2014, as applicable. We anticipate a smooth transition to this new payment system for the issuance of licence fee invoices for the year 2015.

We wish to direct your attention to the **Draft Credit Reporting Bill, 2014** and the **Draft Credit Reporting Regulations, 2014**, which were posted on our website, on the 23rd September, 2014. As articulated in the accompanying Consultation Paper, the Central Bank is seeking to establish an appropriate legal and regulatory framework to support a national credit reporting system. The Central Bank views the establishment of a credit bureau as an important part of The Bahamas' financial sector infrastructure, in its ability to facilitate greater efficiency in lending activities and support our overall objective of promoting financial stability. As always, we welcome your comments and questions, within the timeline stipulated.

Work is progressing quite well on our **Basel II and III Implementation Roadmap**. The Central Bank partnered with the Caribbean Regional Technical Assistance Centre (CARTAC) to host an industry session on Thursday, 25th September, 2014, on the **Internal Capital Adequacy Assessment Process (ICAAP)**, which is an integral part of the Basel II - Pillar 2 initiative. As expounded on during the presentation, the ICAAP is an internal process, developed by management, for identifying all of a licensee's risks and allocating sufficient capital against these risks. While the form and format of the ICAAP rest with each licensee, the Central Bank will issue guidance regarding its expectation for this document. We thank you for your attendance and support of this important initiative, and hope that the information shared with you during the session, together with the Power Point presentations emailed on Wednesday, 8th October, 2014, are helpful to you in moving forward with the implementation or enhancement of your ICAAP initiative.

In other Basel-related matters, we anticipate the release, in early November, of several **Consultation Papers** on the Areas of National Discretion, Operational Risk and the Definition of Capital. We encourage you to review these papers and provide your comments/suggestions to our Policy Unit, within the specified timelines.

Our team is making good progress with the new **Online Reporting and Information Management System (ORIMS)**, which is currently under development, and is poised to introduce enhanced efficiencies in our regulatory reporting mechanisms with you, our licensees. As part of our communication strategy for rolling out the new online reporting forms, the Central Bank will be hosting, in the first week of November, several information sessions for compilers. These sessions will provide an overview of the significant changes to the existing suite of reporting forms, where applicable, as well as the web-based reporting interface, which has an effective "go live" date of 19th January, 2015. Details on the sessions will be sent to all reporting licensees, in the coming week.

We continue our efforts to conclude the new proposed governing legislation that would allow the Central Bank to take supervisory and regulatory responsibility for financial **Co-operative Credit Unions**. In the interim, however, and to facilitate a seamless transition, our team of On-site Examiners, in conjunction with the Department of Co-operatives, has been fully vested in conducting examination exercises within the sector, and developing the new policy and operational frameworks.

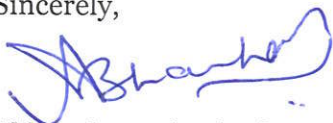
As some of you are aware, in July 2014, the Caribbean Group of Banking Supervisors (CGBS) requested the Central Bank's assistance in obtaining information from the commercial banks to facilitate an assessment of the inter-connectedness of the commercial banks, regionally. This information was provided to the Central Bank, for consolidation and transmission to the CGBS. The purpose of the exercise was to develop a **Regional Financial Interconnectedness Map**, to assess any possible linkages between financial institutions, as well as common financial exposures (regionally and globally) and vulnerabilities as a sector. Based on the data we collected, our commercial banks are mostly exposed within The Bahamas, followed by Canada and the United States, and this exposure is concentrated within the real estate and household sectors.

Finally, with respect to **Dormant Accounts**, we are in the process of considering the comments received during the recent consultation period for the proposed revisions to the legislative regime. Our exercise has included further consultation with licensees and other regulators, so as to arrive at the most informed and appropriate way forward on several key areas. We anticipate completing this work in the coming month, and then submitting the draft amendments for legislative approval. In the interim, however, we wish to remind licensees of the statutory requirement to transfer all dormant accounts to the Central Bank **upon their becoming inactive for a period of seven (7) years**, in line with section 20 of the Banks and Trust Companies Regulation Act.

Any questions regarding this letter should be directed to:

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Sincerely,



Abhilash D. Bhachech
Inspector of Banks & Trust Companies

21st October, 2014