



QUARTERLY LETTER TO ALL
SENIOR OFFICIALS

04/11
19th January 2012

Dear Senior Official,

Our final quarterly letter for 2011 highlights some of the key initiatives that we will be working on during 2012 and, as customary, updates you on various ongoing initiatives, as well as provides guidance on issues you have raised with us during this period.

In our last letter, we informed you of the progress made on developing the framework for monitoring **market risk** in The Bahamas. We thank all of you who have responded to the survey and strongly encourage the few firms that have not yet done so, to submit their responses. This will allow us to proceed expeditiously with collating and analysing the results, which we intend to publish on our website. As we have foreshadowed, implementation of the market risk amendment will entail additional reporting requirements, to be eventually incorporated into our suite of the Excel Reporting System (ERS). However, this is likely to affect only a small minority of firms, based on the preliminary results of the survey.

We continue to make steady progress on the implementation of the **risk-based supervisory framework (RBSF)**. Risk assessments have now been finalized for seventy-five percent (75%) of the twenty-four [24] high impact firms from the first round, and work is well underway for the forty-two [42] firms selected for the second round. As we have indicated, our plan is to complete this process by the third quarter of 2012. For us to accomplish our goals, it is very important that firms are comprehensive, accurate and timely in their completion and submission of the required Risk Assessment & Products and Service Offering Questionnaires, which we utilize for the development of peer group risk metrics and other risk indices. In this respect, firms should not delete/amend the questions; responses should be inserted in the appropriate sections in the survey and not refer to an attached document. Where a question is not relevant to your business, you should indicate "not applicable" (N/A). If you are of the view that a particular question does not fully address your business, or requires further clarification, then additional information may be submitted as an attachment. You are encouraged to contact your Relationship Officer or the Policy Unit, for further clarification on reporting requirements, if necessary.

You may recall that, in 2008, the Central Bank and the Securities Commission executed the *"Protocol for Joint On-site Examinations by the Central Bank of The Bahamas and the Securities Commission of The Bahamas"* (the "Protocol") towards achieving enhanced coordination of on-site examinations of jointly regulated

financial institutions. Since that time, a number of you have provided feedback on the efficacy of the Protocol. These have been taken into account in our recent review of the Protocol, and we anticipate that the contemplated revisions will help us to achieve our objective of lessening the regulatory burden of on-site examination activities for our jointly regulated firms more effectively. Our goal is to implement the enhanced arrangements, which will soon be made available to you, for the upcoming 2012 examination cycle.

In terms of new developments, a fundamental component of the **Basel II Framework** – which is on our agenda for 2012 – is **Pillar 3 (Market Discipline)**. As you are aware, Pillar 3 seeks to achieve greater transparency through disclosures by firms to allow market participants to better assess an organisation's capital and capital adequacy, risk exposures and risk assessment practices. Given their familiarity with current disclosure practices and the requirements of the Basel Committee, which are informed by the IFRS, we have decided to seek the assistance of members of our Senior Accountants' Advisory forum in completing an additional survey, to gather information on the extent to which firms' current disclosures meet the Pillar 3 requirements. The results of the survey, which we intend to share with you, will inform the Bank's approach on the areas of national discretion permissible under Pillar 3, as well as the appropriateness of these requirements for firms in The Bahamas.

In our last quarterly letter, we reiterated our requirement for all firms to submit comprehensive, accurate and timely financial data, via the **Excel Reporting Systems (ERS)**. While we have conducted training to assist with this exercise, we are aware that some firms might still be facing some challenges in completing the ERS. Should this be the case with your firm, we invite you to contact your Relationship Officer to arrange a meeting, so that we can work with you on a one-on-one basis to address your issues. We hope to have available, in the first quarter of 2012, the FAQ document for the ERS, which should be helpful to your compilers.

As you are no doubt aware, in December, we issued, and published on our website, a document ("Timelines for Processing Applications and Other Official Requests"), which sets out our indicative processing timelines for standard application/request types submitted for regulatory approval, as well as other reports, communication and notifications. We wish to emphasise that, when seeking our approval, firms should include a reference line specifying the type of application or official request. This will help to expedite the in-house distribution to the appropriate section of the Bank Supervision Department or, if necessary, other areas of the Bank.

We also issued a Guidance Note, which provides clarification on a number of issues, raised by external auditors directly with the Bank, related to the Guidelines on the Relationship between External Auditors of Licensees and the Central Bank (issued 6th September 2006 and revised 1st June 2011).

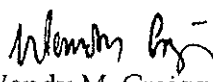
Finally, in line with our efforts to achieve greater efficiencies in our communication processes with firms, we issued a request, via email notice on 25th November 2011, for all firms to provide a single central email address for receiving Central Bank correspondence. This information remains outstanding for several of you and we encourage you to submit the requested information to email address: bsdadmin@centralbankbahamas.com, urgently. We thank those of you who have responded; however, some of you did not make clear whether the address submitted is to be used for only one or for all related companies in a group. Therefore, we ask that you review your submission to ensure that you have provided an email for each firm within your group, if applicable. A single address for a group of related firms is acceptable.

We close by wishing you all a peaceful and prosperous New Year. We look forward to working collaboratively to safeguard and strengthen the resiliency in our financial system, which no doubt will better position us to take advantage of opportunities that present themselves.

Any questions regarding this letter should be directed to:

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Sincerely,


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