



Press Release

Commercial Banks' Return to Pre-COVID-19 Bahamian Dollar Open Position Limits

The Central Bank advises that effective 1st July, 2021, the relaxed ceiling on the long Bahamian Dollar (B\$) Open Position Limit on foreign exchange transactions for commercial banks, which was implemented in April, 2020, will revert to a maximum of \$5.0 million on both net long and short exposures. Outside of this “maximum”, the limit is fixed at 5.0% of commercial banks' Tier 1 Capital.

Since May 2020, the \$5.0 million ceiling was suspended on long exposures, in order to require banks to supply larger quantities of foreign exchange from their internal resources, before replenishing supplies through the Central Bank. This was a conservation measure, given the reduction in foreign currency inflows from tourism.

The Central Bank decided to reinstate the Open Position ceiling, given that the negative impact of COVID-19 conditions on foreign exchange markets has moderated. Moreover, inflows from tourism are projected to strengthen over the remainder of 2021 and during 2022.

The Central Bank also announces that as of 1st July 2021, the minimum B\$ Open Position Limit, which would apply to commercial banks with branch operation structures inside The Bahamas, or with Tier 1 Capital of less than \$20.0 million, has been increased to \$1.0 million. This will afford such entities some increased flexibility in their foreign exchange trading activities.

The B\$ Open Position limit regulates commercial banks' purchases and sales of foreign currency from the public. Transactions (sales to the public) which increase the net of B\$ assets minus B\$ liabilities by more than the Open Limit must be corrected by corresponding purchases of foreign exchange either in the interbank market or from the Central Bank. Conversely, transactions (purchases from the public) which reduce the net of B\$ assets minus B\$ liabilities by more than the Open Limit must be corrected by corresponding sales of foreign exchange either in the interbank market or to the Central Bank.

28 June, 2021