



QUARTERLY LETTER ON REGULATORY AND SUPERVISORY DEVELOPMENTS

BANK SUPERVISION DEPARTMENT
4 October, 2024



QUARTERLY LETTER

Introduction

As we near the final quarter of 2024, the Central Bank remains committed to materially advancing several of the remaining initiatives that were introduced during our annual industry briefing earlier this year. We have kept industry informed on advancements throughout the year, as pertains to legislative amendments and policy developments, AML/CFT updates, and strategic supervisory and policy initiatives. We encourage industry to continue to provide feedback to us during our outreach.

Central Bank Direction on Service Fees

The Central Bank is cognisant of the public discourse regarding the service fees charged by SFIs. In this regards, we continue to take efforts to advance measures that promote financial inclusion and transparency of cost for consumers to make well-informed decisions when engaging SFIs for products and services. Our research and review of these issues has been ongoing for some time. Nevertheless, ahead of any reform proposals, the Central Bank issued transparency related directions to SFIs, on October 2nd, 2024, for 60 days prior notice to be given to the regulator, before customers receive a minimum 30 days notice of fee schedule changes. The prior notification to the Central Bank will permit sufficient lead time for any comments from the Central Bank, before any changes are adopted. Likewise, the directions call for disclosure to customers on the revenue impact of fee variations. Although not stipulated, such transparency practices may also allow SFIs to articulate how the costs of providing fee-based services are also varying.

Industry Consultation – Bahamas Co-operative Credit Unions (Amendment) Bill, 2024

The Central Bank will be hosting a consultation briefing with the Board of Directors of the Bahamas Cooperative League Limited in October 2024 to discuss pending legislative amendments to the Bahamas Cooperative Credit Union Bill, 2024. A wider engagement with the credit union sector will ensue afterwards, followed by a sixty-day industry/public consultation period.

These proposed amendments to the legislation will seek to expand and strengthen the supervisory oversight of the Central Bank, provide firmer deterrence safeguards against misconduct, and instructional provisions that outline the minimum standards for operations in varying circumstances. The amended legislation will also seek to enhance fit and proper criteria for directors and senior management and establish a resolution framework that strengthens regulatory intervention.

Sanctions Thematic Review and Sanctions Guidance

The Central Bank engaged AML Analytics, Ltd. in May 2024 to conduct an independent review to assess the effectiveness and efficiency of sanctions screening solutions used by Supervised Financial Institutions

(SFIs). 61 SFIs participated in the live screening tests held in July 2024. The consolidated assessment results reflected 87.7% effectiveness for client screening (global benchmark: 96.4%) and 89.9% effectiveness for transaction screening (global benchmark: 96%).

Virtual feedback sessions were conducted with individual SFIs in late August 2024, with formal feedback letters detailing necessary improvements set to be issued by mid-October 2024. SFIs should expect to receive letters indicating whether their systems were considered satisfactory, needing improvement or deficient. An industry re-testing to evidence improvements where made is planned for the third quarter of 2025.

Additionally, in its continuing focus to enhance its Sanctions supervisory framework, the Central Bank will issue the following guidance in upcoming months:

- Targeted Financial Sanctions Reporting Forms and related Guidance Notes in conjunction with the Group of Financial Services Regulators (GFSR): Expected in Q4 2024.
- Sanctions Guidance Notes: Expected in Quarter 1, 2025.

Payment of Dividends

SFIs are reminded to comply with the Central Bank's legislative requirements concerning the declaration and payment of dividends, in accordance with the Banks and Trust Companies (Payment of Dividends) Regulations, 2005.

SFIs must seek the Central Bank's approval where:

- The proposed dividend exceeds the prior year's profit; or
- The SFI's capital position will be less than the required position upon the payment of the dividend; or
- The Central Bank has notified the SFI that prior approval is required for the payment of dividends.

Failure to comply with any of the provisions of the Regulations will result in the imposition of fines and other material regulatory action.

IT Global Outage Survey Results

Following the global IT outage that occurred on 19 July, 2024, the Central Bank issued a survey to SFIs to assess the extent that the outage may have had on their operations. Most SFIs reported no to little impact from the outage. Those reporting some impact outlined a range of technical issues such as loss of access to Microsoft products, servers, and workstations; interruptions in internal monitoring systems which necessitated manual oversight; and disturbances to endpoint detection and response (EDR) services. In all cases, however, SFIs reported that issues were remedied shortly after the date of the initial events.

The occurrence of such systemic events underscore the importance within the industry of maintaining resilient up to date business continuity plans (BCP). Therefore, we take the opportunity to remind SFIs to constantly update their plans, as necessary, the undertaking impact analyses to ensure that the BCPs accurately reflect the range of risks, including from technology, posed within the current environment.

Additionally, we emphasise the need to maintain robust patch management policies and procedures including the testing of updates pre-deployment and adopting the phased deployment of updates. Third-party risks also need to be closely managed so that these do not expose gaps in SFIs' policies around patch management.

Regulatory Sandbox Framework

The public consultation period to provide feedback on the Consultation Paper for the Regulatory Sandbox Framework ended on 16 September, 2024. We wish to thank members of the public and SFIs for providing meaningful feedback to this key strategic policy initiative. The Policy Unit is currently collating the comments as part of our internal review prior to transitioning to its adoption and implementation.

We look forward to your continued engagement during the remaining months of 2024.

Karen Rolle

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Inspector of Banks & Trust Companies

Any questions regarding this letter should be directed to:

Inspector of Banks & Trust Companies

Bank Supervision Department

Central Bank of The Bahamas

Nassau, Bahamas

Email: banksupervision@centralbankbahamas.com