FEEDBACK FROM INDUSTRY DISCUSSION PAPER

Basel III LIQUIDITY RISK REFORMS

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Feedback from the Industry Discussion Paper: Basel III Liquidity Reforms, 2018

Table 1: Comments/Questions received on the Basel III: (1) Quantitative Impact Study & (2) Liquidity Coverage Ratio ("LCR") & Net Stable Funding Ratio ("NSFR") Discussion Paper

Section	Questions/Comments Received	Central Bank's Response
Liquidity QIS Template	Can you kindly confirm the reporting date for the Basel III Liquidity Reports? Is it as at December 31, 2018 or January 31, 2019?	For the purposes of the QIS, the reporting date was at 31 December 2018.
Liquidity QIS Template	I needed some clarity on Stable and Less Stable deposits on the NSFR Calculation Worksheet. Is stable defined as deposits that are fully insured by a deposit insurance scheme, while less stable is defined as those deposits that are not fully insured by a deposit insurance scheme? Also, what is the difference between less stable and uninsured?	The definitions of Stable and Less Stable deposits can be found on page 9 of the Liquidity Guidance Notes. • Stable Deposits: are deposits that are fully (i.e., 100%) insured by an effective, Central Bank approved deposit insurance scheme and where the depositors have other established relationships with the bank that make deposit withdrawal highly unlikely (e.g. Transactional accounts where salaries are automatically deposited). • Less Stable Deposits: include deposits that are not fully covered by an effective, Central Bank approved deposit insurance scheme, high-value deposits, deposits from sophisticated or high net worth individuals, deposits that can be withdrawn quickly (e.g., internet deposits), foreign currency deposits, unaffiliated 3rd party deposits as well as, term deposits with a remaining maturity of greater than 30 days. If a SFI is not able to readily identify which retail deposits would qualify as "stable" according to the definition outlined (for example, where the bank is unable to determine which deposits are covered by an effective Central Bank approved deposit insurance scheme or a similar sovereign deposit guarantee), it should place the full amount in the "less stable" buckets. Under Basel III, uninsured retail deposits would be classified as a type of less stable deposits. For clarity in reporting and reviewing data collected, we will amend our LCR Template to list *Uninsured deposits* as a subcategory of less stable deposits.

Liquidity QIS Template	"We are in the process of completing the Quantitative Impact Study on the Bank's liquidity coverage ratios. We'd be grateful if you can confirm if the Bank's holdings in the Nobis Sovereign Funds which is invested solely in AAA rated Zone A countries T-bills with maturities of less than 1 year will enjoy the 'look-through' effect approved for the ORIMS reporting and we can report the Bank's balance of $30.45M as 0% risk weight securities issued by sovereigns. Alternatively, you can let us know of an alternate line for reporting the investments noted."	Based on an examination of the Basel standards (and other references), we note that where a bank holds shares in a mutual fund, it does not hold the underlying securities unencumbered (unencumbered means, the assets are free and not pledged to secure or collateralize a transaction), but rather it holds the shares in the mutual fund. Equity instruments are not eligible for inclusion in liquid assets. For clarity moving forward, Guidance Notes for the accompanying liquidity QIS forms have been drafted. These concerns have been addressed in the Liquidity Guidance Notes. While we note the Nobis Sovereign Fund invests exclusively in AAA rated Zone A country T-Bills (with maturities of less than 1 year), shares in a mutual fund cannot be included in the LCR stock of liquid assets. Therefore, the look-through approach cannot be applied in this case. These types of assets would most likely fall within the category of Level 2B assets. Following additional consideration Level 2B assets will be counted in the calculation of HQLA for the purpose of the second consultation.
Liquidity QIS Template	We have been able to complete the LCR portion of the Template, but have encountered technical issues in trying to reclassify assets and liabilities in accordance with the proposed categories and provide a "proxy" calculation. This has proven challenging as we do not have the level of system granularity required and we therefore request an extension to the end of business tomorrow to submit the return in its entirety. With respect to the Consultation process, while we acknowledge the regulatory proposal of the Central Bank of the Bahamas is a case adoption accurate to Basel III, we make the following comments: 1. Number 6.1 – Proposal for LCR: HQLA – The inclusion of Level 2B Assets should be allowed in accordance with the provisions of Basel III. 2. It would be desirable to implement the rule in stages: LCR in January 2020 and NSFR in January 2021 in order to give sufficient time to SFI's to adopt the new standards. 3. It has not been stated with what regularity this information will be requested going forward.	The Central Bank acknowledges your comments and suggestions, and will take them into consideration as we finalize the LCR/NSFR reporting forms and the Liquidity Regulations. 1. The Central Bank has considered your suggestion to include Level 2B assets in the calculation of HQLA. As such, Level 2B assets will be included in the calculation of HQLA in the second consultation exercise. 2. The Central Bank acknowledges your comments and suggestions, and will take into consideration the timeframe required for implementation of the Liquidity Risk Framework. 3. The Central Bank notes your comments and advises that the reporting cycle for the LCR/NSFR will align with the current reporting system. That is, commercial banks will report the LCR monthly and the NSFR quarterly. All other SFIs will report quarterly.

Liquidity QIS Template	In connection with the proposed paper, I would like to ask the following: 1. If our cash deposited with a Subsidiary would be considered HQLA? I don't see it clear in the paper neither in the Excel template. If not maybe is something to consider. 2. I also would like to understand why the excel result in a need for Liquidity if the Inflows are higher than the outflows? Or there is a problem with the formulas?	The Central Bank responds as follows: 1) In accordance with the Basel Committee's paper entitled, "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools," cash held as deposits with a subsidiary would not be considered HQLA (but rather deposits held at other banks) and would thus be classified as an expected cash inflow. So, the general assumption in the LCR is that all financial institutions withdraw their non-operational deposits from the bank (i.e., 100% outflow) and the bank would withdraw all non-operational deposits held at other financial institutions (i.e., 100% inflow). 2) As defined by Basel Total net cash outflows are calculated as follows: $\text{Total Net Cash Outflows} = \text{Total expected cash outflows} - \text{Min}\{\text{total expected cash inflows}; 75\% \text{ of total expected cash outflows}\}$ Thus, the amount of inflows incorporated in the equation is capped, at no more than 75% of total expected cash outflows to ensure that some level of liquidity risk is accounted for, even if the entity has excess inflows.
Liquidity QIS Template	Following your letter dated December 28th, 2018 regarding The Central Bank of The Bahamas proposal for Basel III liquidity reforms, we have some questions regarding NSFR and LCR reporting. 1) LCR: a) Can we consider Government National Mortgage Association (GNMA) as HQLA Securities with 0% risk weight? b) Can we consider Federal Home Loan Bank (FHLB) as HQLA Securities with 0% risk weight? c) Are overdraft accounts or Nostros accounts considered as Inflows? d) In case of the issuer rating by an External Credit Assessment Institution (ECAI) is not available, can we use the bond rating?	For clarity moving forward Guidance Notes for the accompanying liquidity QIS forms have been drafted. Given their relevance, these concerns are addressed in the Liquidity Guidance Notes. However, the Central Bank advises as follows: 1) LCR: a) Government National Mortgage Association (GNMA) is a financial institution whose securities are backed by the full faith and credit of the United States. Under the Basel standard (paragraph 49 – 50), these asset types are deemed Level 1 assets. Under our proposed LCR framework, these would be considered Level 1 assets. b) The Federal Home Loan Bank (FHLB) are usually referred to as government-sponsored entities (GSEs) and therefore, may be considered in the stock of HQLA. Under the Basel LCR framework (paragraph 50 – 52), these types of assets would be deemed Level 2A (e.g., marketable securities assigned a 20% risk weight under the Basel II standardised approach for credit risk). c) An overdraft by definition is a type of line of credit that a financial institution extends to their customers at a certain amount that becomes available once all funds are

	e) Are Rollover loans counted as Inflows? 2) NSFR: a) Where should we classify the investment Funds held by the bank? b) Can we include the current year profit as Tier 1 capital category? c) Are HQLA Level 2 securities considered as Non HQLA? 3) What is the reporting date used to fill the Liquidity QIS Template?	exhausted. Therefore, for LCR purposes, this would be considered a credit and/or liquidity facility. In a stressed environment, it will likely be difficult for customers drawing on the credit facility to be able to quickly pay back the borrowings. As a result, all facilities (credit and liquidity) that are assumed to be withdrawn e.g., undrawn committed credit and liquidity facilities provided to retail customers (5%), or to other financial institutions (40%). Therefore, overdrafts will not be included in the calculation of inflows, only outflows. The LCR framework from paragraph 92 – 99 treats Nostro accounts as contractual outflows that would receive a 100% outflow treatment. The Basel standard describes nostro accounts as arising out of correspondent banking arrangements or from the provision of prime brokerage services. When considering available cash inflows, an SFI should only include contractual inflows from outstanding exposures that are fully performing and not expected to default within the next 30-days. So, inflow rates for these type accounts will be treated as inflows by counterparties and may receive a 100% inflow rate treatment (i.e., amounts to be received from financial institutions and central banks from transactions other than those listed in above inflow categories). d) Provision 29 of the Capital Adequacy Guidelines, 2022 requires all SFIs to use the standardised approach for the calculation of credit risk. It states that, "the Standardised Approach is to be used by all SFIs." The Capital Adequacy Guidelines, 2022 provides further guidance on the ECAIs under provisions 65 to 88. For regulatory capital purposes, the Central Bank will only recognize the following ECAIs (applications must be approved to allow an additional ECAI): o Moody's Investors Service; o Standard and Poor's (S&P); o Fitch Ratings; and o Caribbean Information and Credit Rating Services Limited ("CariCRIS"). e) Roll-over loans (i.e., credit and liquidity facilities or funding commitments) are generally treated as outflows. For the purposes of the proposed standard, committed credit and liquidity facilities only include contractually committed or conditionally revocable agreements to extend funds in the future. These off-balance sheet facilities can have long or short-term maturities, with short-term facilities automatically rolling over. For the purposes of the LCR, liquidity facilities

		or other contingent funding facilities that a bank holds at other institutions for its own purposes are assumed to be able to be drawn. Therefore, such facilities under the LCR receive a 0% inflow rate. 2) NSFR: a) Under the NSFR framework, investment funds would be treated as unencumbered Level 2B assets (paragraph 40 of the NSFR Basel Standard) with a corresponding RSF factor of 50%. For the second consultation exercise Level 2B assets will be counted for HQLA purposes. b) Yes. Tier 1 Capital (also known as CET1 Capital) includes retained earnings and accumulated other comprehensive income less applicable regulatory adjustments. The full list of elements included as CET1 Capital are further explained in Section 3.5 in our Capital Requirements Discussion Paper issued 29 August 2018. c) HQLA comprises Level 1 and Level 2 assets. Level 1 assets are limited to notes and coins; marketable securities from sovereigns, central banks, PSEs, and multilateral development banks; qualifying reserves; and certain sovereign and central bank debt securities. Level 2A and 2B would include marketable securities such as certain corporate debt, covered bonds, Residential Mortgage-Backed Securities (RMBS), and Common equity shares. However, Equity instruments are not eligible for inclusion in Level 1 assets, but may be included in Level 2B assets, and subject to a 50% haircut. Level 2A assets are eligible for inclusion in LCR but capped at 40%. Based on our liquidity proposals in the second consultation exercise Level 2B assets will be counted for HQLA purposes. 3. The reporting date was at 31 December 2018.
Liquidity QIS Template	Would it be possible to comment also the questions below as it can have a major impact on our LCR? • On our Liability side we have Fiduciary deposits through Banks on behalf of clients. Can we consider this as retail outflow (10%) instead of bank outflow (100%)? • Will the off-balance sheet items such as guarantees and letter of credit be weighted by the CBOB?	The Basel III liquidity framework makes a general distinction between retail deposits (relatively stable) and wholesale (more volatile) deposits. Fiduciary deposits tend to be a cross between retail and wholesale deposits, for instance, they may be interbank deposits, or third-party trust deposits professionally managed as part of a custody, administration and management service offered by a bank. Ultimately, these deposit types are not as stable as retail deposits, but less volatile than wholesale deposits. For these reasons, the Central Bank will maintain treatment of fiduciary deposits at 100%.

		Off-balance sheet items such as guarantees and letters of credit should be captured under Cash Outflows – other contingent funding liabilities. This has been included.
Liquidity QIS Template	LCR – Calculation tab 1. What qualifies as a retail customer (mortgage, consumer, etc.?) vs. small business customer vs. non-financial corporate? LCR – Reference tab 2. Clarify the LCR reference 11002 – please clarify what is meant by amounts to be installed in Central Bank reserves 3. Clarify the LCR reference 21231 - – please clarify what is meant by amounts to be installed in Central Bank reserves NSFR – Calculation tab 1. Please clarify what is meant by 'Unencumbered' vs 'Encumbered'? 2. Should the required stable funding section include loans only or loans and advances, i.e., overdrafts and credit cards? 3. Should the loans be reported at the gross amount or net of provisions?	LCR – Calculation tab & Reference tab 1. The Central Bank is providing a guidance note document to provide additional guidance to SFIs reporting. The guidance notes state: a) "Retail Deposits" are deposits placed with a bank by a natural person or small business customer that are divided into stable and less stable portion of funds that includes savings, transactional accounts and fixed term deposits. b) "Small Business Deposits" are deposits placed with a bank by a non-financial customer whose reported annual sales is less than $10 million. c) "Non-financial corporation" is defined as an entity whose principal activity is the production of market goods or non-financial services. 2. Reference 11002 refers to the total amount held in central bank reserves and overnight and term deposits placed at a central bank which can be drawn down in times of stress 3. Reference 21231 refers to amounts to be installed in the central bank reserves within 30 days. NSFR – Calculation tab 1. Section 31 of the LCR Framework defines unencumbered as "the assets are free of legal, regulatory, contractual, or any other restrictions on the ability of the bank to liquidate, sell, transfer or assign the asset". 2. Required stable funding (RSF) is a measure of the liquidity and maturity of the assets of the bank. The RSF section includes on and off-balance sheet assets. 3. Figures entered in the liquidity reporting template should be reported at the gross amount.
Liquidity QIS Template	We wanted to know if nostro accounts are considered High Quality Liquid Assets (HQLA) for international SFIs. The Liquidity paper does not define what is considered as HQLA level 1 assets or level 2 assets for international SFIs.	The LCR framework from paragraph 92 – 99 treats Nostro accounts as contractual outflows that would receive a 100% outflow treatment. The Basel standard describes nostro accounts as arising out of correspondent banking arrangements or from the provision of prime brokerage services. Nostro accounts would not be considered HQLA.

Liquidity QIS Template	"I enclose the Liquidity QIS Template as at 31 December 2018. Regarding the High-Quality Liquid Assets, I note there is no consideration for Sight balances Due from Banks which are liquid just like cash and immediately accessible to satisfy liquidity needs. As there is no line item on the LCR-calculation tab of the template for Sight balances, I have included them with Coins and banknotes. I look forward to you taking in consideration Sight balances Due from Banks as Level 1 HQLA. In addition, I note in the Required Stable Funding section of the template, the Amounts input in Column D < 6 months are not displayed however they are in the Calculated RSF."	In regards to your query, kindly note that Sight balances due from banks are not considered as HQLA under the Basel III liquidity regime. These balances are considered to be cash inflows, "Other inflows by counterparty: amounts to be received from financial institutions and central banks, from transactions other than those listed in above inflow categories," with a run-off rate of 100%. The LCR calculation does not allow for the inclusion of sight balances due from banks. The framework acknowledges committed facilities as cash inflow. The applicable run-off rate can be found in the First Schedule of the Draft Banks and Trust Companies (Liquidity Risk Management) Regulations, 2025. However, your suggestion will be taken into consideration as we continue to fine tune the proposed enhancements to the Bahamian liquidity regime. In regards to the inputs not being visible on the NSFR sheet, be advised that it was a formatting error, which has now been corrected for the second consultation.
Liquidity QIS Template	We consider that the following with reference to the corresponding line in the spreadsheet will bring the Central Bank's LCR more in line with Basel III's requirements: • Line 124 indicates a weight of 100% for all secured funding transactions not involving qualifying HQLA (defined as only Level I). However, we consider that a lower weight should be applicable to secure funding transactions that involve either/or Level 2A (example: 15% run-off as per Basel III) and 2B assets (example: between 25% and 50% run-off as per Basel III); and • Level 137 shows weight applied to additional contractual obligations to extend funds within a 30-day period to different parties. All parties have a weight of 100%, however we believe a lower weight should apply to certain parties, such as financial institutions (example: 40% run-off as per Basel III).	The Central Bank has noted your comments and will allow Level 2 assets in the calculation of HQLA. Therefore, secure funding backed by qualifying HQLA will be considered in the calculation of cash outflows. This will be assessed further in the second consultation exercise. Consideration has been given to your suggestion. The Central Bank will maintain a weight of 100% for additional contractual obligations as this aligns with the Basel III liquidity framework under section 40.74 which states "Other contractual cash outflows: 100%. Any other contractual cash outflows within the next 30 calendar days must be captured in this standard, such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments"

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<td>Liquidity QIS Template</td>
<td>We do have a couple of doubts in the sheet corresponding to the Liquidity Coverage Ratio (LCR):

1. We hold some positions of bonds issued by Financial Institutions and could not determine in which line or category these should be included. Could you advise on this?

2. Physical gold does not appear to be included in the LCR Calculation. Is gold bullion not considered a high-quality liquid asset (HQLA)? Please confirm.</td>
<td>With regard to your specific inquiries, the Central Bank notes the following:

1. Dependent upon the conditions surrounding these bonds they can be reported in either HQLA or as Cash Outflows, whichever is most suitable;

a) Under the standard, HQLA covered bonds* are considered Level 2A assets, if they satisfy all of the following conditions:
a) Not issued by the bank itself or any of its affiliated entities
b) Either (i) have a long-term credit rating from a recognized external credit assessment institution (ECAI) of at least AA- or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or (ii) do not have a credit assessment by a recognized ECAI but are internally rated as having a probability to default (PD) corresponding to a credit rating of at least AA-;
c) Traded in large, deep and active repo or cash markets characterized by a low level of concentration; and,
d) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions: i.e., maximum decline of price or increase in haircut over a 30-day period during a relevant periods of significant liquidity stress not exceeding 10%.

*Covered bonds are bonds issued and owned by a bank or mortgage institution and are subject by law to special public supervision designed to protect bondholders. Proceeds deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of the validity of the bonds, are capable of covering claims attached to the bonds and which, in the event of the failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

b) Cash Outflows – under Unsecured Wholesale funding or Secured funding.

2. Physical gold is not to be included in the LCR Calculation. Arguably, gold has historically been considered a liquid asset, however, the Basel III liquidity standard does not consider, and has omitted gold bullion as a high-quality liquid asset (HQLA).</td>
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Liquidity Discussion Paper	Discussion Paper 1. Section 5.1.2 a) Please clarify what qualifies as a transactional account? Footnote 5 has 'accounts where salaries are automatically deposited' as an example of transactional accounts. Are operating accounts, DDA, savings and pension accounts also included? 2. Section 5.1.2 c) Do interbank placements/borrowings qualify as wholesale funding?	1. Yes, these examples are considered transactional accounts. 2. Yes, interbank placements/borrowings qualify as wholesale funding.
Liquidity Discussion Paper	The bank is concerned that the proposals would impose a separate and unique set of requirements on the Nassau Branch that would be inconsistent with established home-host country supervision practices, in particular as these relate to the branch of a foreign bank, consistent with the 1975 Basel Concordant. The bank respectfully proposes that the Nassau Branch be permitted to demonstrate the bank's compliance with home country liquidity standards and requirements by including a certification in the Branch's annual certification on Corporate Governance and Anti-Money Laundering/Counter Financing of Terrorism, along with current Basel III liquidity disclosures which are published in accordance with the Federal Reserve regulations.	As a managed branch, the Central Bank acknowledges the concerns that the liquidity proposals would impose a separate set of requirements for the Nassau Branch. We also acknowledge and agree that as a foreign branch, the bank's liquidity cannot be judged in isolation from that of the whole bank to which it belongs. Note however that the primary responsibility for monitoring the liquidity of the bank rests with the Central Bank, as host supervisor. As such, there is a greater need for the Central Bank as supervisor, to monitor the liquidity positions of the Nassau Branch and take account of calls that may be made by the parent on the Branch, in times of stress. Our liquidity framework seeks to meet the international standards of the Basel Committee, while at the same time recognizing the unique business models of SFIs. While the Central Bank has no objection to the bank's proposal to include an annual certification confirming its compliance with home country liquidity standards and requirements, as a bank authorized to engage in both lending and deposit-taking activities, there should be timelier monitoring of the bank's liquidity.
Liquidity Discussion Paper	Proposal for LCR: 1. Please clarify the inconsistency in section 6.6 stating that highly rated MDBs which meet Basel's eligibility criteria and are rated AAA to AA- will be risk rated at 20%, and the LCR/NSFR Discussion Paper suggests that securities of MDBs must inter alia be assigned a 0% risk weight to be eligible for inclusion in Level 1 assets. Reporting Cycle for Metrics: 2. Clarification is required on the proposed reporting cycle. Section 5.2 indicated that the NSFR should be reported	1. The Central Bank notes your comments and observations. Accordingly, we advise that debt issued or guaranteed by multilateral development banks attracting a risk weight of 20% or 100% under our Basel III capital framework, would not qualify as Level 1 assets. Our proposals have been amended accordingly. Reporting Cycles for Metrics: 2. The Central Bank notes your comments and advises that the reporting cycle for the LCR/NSFR will align with the current reporting system. That is, commercial banks will report the LCR monthly and the NSFR quarterly. All other SFIs will report quarterly.

	quarterly, while section 7.0 requires reporting in line with current ORIMS weekly, monthly and quarterly submissions. Treatment of Non-redeemable deposits greater than 30 days from Financial Institutions (FIs) and Non-Financial Institutions: 3. All deposits from FIs and other legal entities are treated with 100% run-off; non-redeemable deposits with residual term to maturity less than 30 days should be excluded. Operational Deposits from Non-financial institutions: 4. Non-financial institutions' deposits from wholesale customers have run-off rates that correspond to non-operational deposits as per the BCBS' standards. Would Central Bank consider allowing banks to assess operational deposits and consider some of them as "operational" and apply the lower run-off rates? NSFR – General Comment: Given the cost of implementing the NSFR, we ask that the Central Bank consider incorporating some of the more favourable treatments being considered by other major jurisdictions and reconsider assumptions that are more punitive than the BCBS so that SFIs in the Bahamas are not disadvantaged. 5. We suggest the Central Bank lower the Required Stable Funding (RSF) for loans to FIs secured by Level 1 assets to 5%, and those secured by collateral to 10%. 6. We suggest the Central Bank include HQLA Level 2 assets in line with the BCBS Standards. 7. We suggest the Central Bank reconsider the RSF of 100% for unencumbered non-HQLA securities less than 1 year, equities and physically traded commodities, as it is higher than that of the BCBS's rate of 85%.	Treatment of Non-redeemable deposits greater than 30 days from Financial Institutions (FIs) and Non-Financial Institutions: 3. Your comment is noted. The Central Bank maintains its position, in accordance with the Basel standard whereas all deposits from FIs and other legal entities are treated with 100% run-off. Operational Deposits from Non-financial institutions: 4. Your comment is noted. The Central Bank maintains its position that such deposits will be treated as non-operational. NSFR: Your comments and suggestions are duly noted. HQLA Level 2 assets will be included in the second consultation exercise.

Liquidity Discussion Paper	We believe that the bank's comprehensive liquidity risk management framework, which includes an Internal Liquidity Stress Test (ILST), could be seamlessly leveraged by the Central Bank to meet the requirements as it relates to the bank's Nassau branch. Based on our initial assessment however, we note that the newly proposed Bahamian liquidity standards may not be much simpler and cheaper to comply with for an institution such as the bank and could prove quite costly for the Branch to comply.	The Central Bank notes your comments and proposal, and advises as follows: We acknowledge that stress testing is an important tool for any bank, as part of their internal risk management framework, and support efforts in implementing its comprehensive internal liquidity stress test framework. However, this ILST is more bank-specific stress testing. For consistency and comparability, SFIs will be required to adopt the Basel III liquidity framework.
Liquidity Discussion Paper	6.2 Liquidity Coverage Ratio 1. CB states that International SFI deposit liabilities account for only 32% of total funding. [the bank's ratio at 31.12.2018 was 84%] – 2.62 times higher than the average statistic and this will require a proportionally higher requirement for HQLA. 2. Under the bank's Treasury philosophy, liquidity is concentrated in Fitch AA- grade company shares. These balances comprise 77% of the bank's total assets and they do not currently qualify as Stock of HQLA Level 1 or 2. Consideration should be given to allowing a portion (at least 50%) of these balances to be treated as qualifying for HQLA. 3. Using the criteria contained in CBOB's Discussion Paper, the "modelled" LCR ratio is less than 1%. Consequently, the bank will need to invest a significant portion of its liquid assets into US Treasury Bills (assuming T-Bills are qualifying marketable securities) in order to satisfy the minimum LCR ratio of 100%. Treatment of Trusts and Private Investment Companies (PICs): 1. Under the current proposal, it appears that Trusts and similar legal entities (e.g., PICs) would be considered as "other counterparties" which attracts a weight of 100% for outflow purposes. However, FINMA treats these Trusts and similar	The Central Bank notes your comments and observations on the LCR, the treatment of Trusts, Private Investment Companies and Investment Funds. The Central Bank will further assess the implications of the revised framework in the second consultation exercise. Small Business Customers 3. Small business customers will maintain the definition set forth in the Capital Regulations, 2022, in alignment with the Basel III liquidity standard. Additionally, the Central Bank of The Bahamas has provided guidance notes which gives further explanation on the classification of small business customer deposits. A private investment company would be classed as a financial institution. Fully performing loans, contractually due within a 30-day horizon, extended to retail and small business customers have a 50% inflow in accordance with the LCR 40.86 which notes "banks must assume to continue to extend loans to retail and small business customers, at a rate of 50% of contractual inflows. This results in an inflow of 50% of the contractual amount." 4. Additional information on implementation will be provided following the conclusion of the second consultation exercise. 5. Both qualifying domestic and international high quality government bonds may be used to provide HQLA opportunities. 6. No, as the request is for any business day, it is not anticipated that a back-dated request of more than one month is likely.

	legal entities (e.g., PICs) as “natural persons” with a weight of 40% Investment Funds: 2. By default, deposits from Investment Funds are weighted 100%. However, if a percentage of the Fund’s cash is needed for cash settlement, the portion should be treated as an “Operational Deposit” attracting a weight of 40% instead of 100% Small Business Customers: 3. Since loans to SBC’s apply the same weight as loans to Retail customers (50% inflow for each category), for consistency should deposits from SBC’s be treated similarly? Therefore, the same outflow weight would be applicable as for Retail customers (5% or 10%) instead of an Outflow weight of 40% or 100%. There is no definition of a “small business”. Can a Trust or PIC be considered as SBCs? Why is the threshold quoted in EUR? Other points that require clarification: 4. It would be helpful to have more information on the implementation of the Monitoring tools (e.g., form of reporting, date of implementation) 5. Will there be enough debt securities issued by the Bahamian Government to provide HQLA opportunities for all of the Local Banks and eventually some International Banks? 6. 6.4.2 – NSFR – as CBOB requires that banks will need to calculate the NSFR for any business day; this might well require back dating capacity in the reporting model. Please clarify how far back in history is the back-dated request likely? (More than one month?) 7. 9.4 – LCR by significant currency – please provide clarity on the definition of significant? (Major currencies only? Amount >30% of balance sheet?). Time constraints may arise because Reporting Tools are likely to require IT modification.	7. A currency is “significant” if the aggregate liabilities denominated in that currency totals 5% or more of the SFI’s total liabilities.