



THE CENTRAL BANK OF THE BAHAMAS

QUARTERLY LETTER ON REGULATORY AND SUPERVISORY DEVELOPMENTS

BANK SUPERVISION DEPARTMENT
August 2, 2017



QUARTERLY LETTER

I have recently taken up the Inspector's role at the Central Bank of the Bahamas ('the Central Bank'), coming from the Australian Prudential Regulation Authority. I look forward to working with industry over my term in office.

My appointment does not signal any fundamental change in approach by the Central Bank. I am hopeful, however, that we can continue to streamline our supervisory and regulatory processes. The next step in this process has been to streamline internal approval processes for approximately sixty procedures, mainly associated with requests for approvals by Supervised Financial Institutions ('SFIs').

Dividend approvals are one example of this streamlining. It is now our policy that SFI dividend requests for less than the relevant period's earnings, where the SFI is well-capitalized, will be approved quickly and near-automatically. Dividend approvals for more than the period's earnings, or when the SFI is less than well-capitalized, will be subject to considerably more analysis. SFIs are reminded that the Central Bank should be notified of all dividend payments whether they exceed or do not exceed the prior year's net profits. In addition, all dividends should be recorded on the Profit and Loss Statement of the ORIMS Report for the applicable month/quarter in which the dividend(s) is declared.

On the regulation front, my experience is that well-considered industry feedback is critical in developing the best statutory framework in any country. In the Bahamian context, the proposed **Guidelines on Minimum Disclosures** are a case in point. Extensive industry feedback has caused us to reconsider aspects of this initiative. Over the next several weeks, I anticipate we will issue a new paper on this necessary but complex topic.

Following the June 30 deadline for submission of ICAAPs as stated in the **Guidelines for The Internal Capital Adequacy Assessment Process for Licensees**, our team of relationship managers would have contacted those institutions with outstanding ICAAPs. SFIs who owe us an ICAAP, and who have not received a deferral, need to complete and submit these documents as soon as feasible.

You would recall that last month, via Notice dated 24th May, you were advised of the recent amendments to our **Guidelines for Supervised Financial Institutions on the Prevention of Money Laundering & Countering the Financing of Terrorism** (the AML/CFT Guidelines). The enhanced AML/CFT Guidelines are now better aligned with the

relevant international standards, namely the Financial Action Task Force (FATF) Forty Recommendations and the FATF's 2013 Methodology (the Standards).

Further, you may note the deployment of the term '**supervised financial institutions**' or simply, "**SFI**" which refers to banks, trust companies, credit unions, non-bank money transmission businesses and any other entity carrying on a business regulated under the laws enforced by the Central Bank of The Bahamas. This term will be used in our correspondence to you and will replace the word 'licensee' in all of our Guidelines as they come up for review.

Charles Littrell

Charles Littrell
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
P.O. Box N-4868
Nassau, Bahamas
Tel: (242) 302-2638
Fax: (242) 356-3909
Email: banksupervision@centralbankbahamas.com