

<b>The Central Bank of The Bahamas</b> BANK SUPERVISION DEPARTMENT
<b>Quarterly Letter to All Senior Officials 02/15</b>
Email: Email Address Licensee: Name

Dear Senior Official,

Key highlights for the past quarter included the conclusion of a number of important regulatory and infrastructure initiatives. Effective 1<sup>st</sup> June, 2015, the Central Bank of The Bahamas (Central Bank) assumed regulatory and supervisory responsibility for the credit unions, under the recently enacted principal governing legislation, the **Bahamas Co-Operative Credit Unions Act, 2015** and other relevant amending legislation. This marked the culmination of a three-year consultative period with industry stakeholders on the new regulatory framework and several institutional strengthening initiatives. This transition recognizes the growing size and complexity of the sector, and the need to enhance the oversight regime, it aligns with the broadly held view that the sector should be supervised by the entity responsible for financial stability, and it achieves greater consolidation of domestic financial supervision.

In another legislative milestone, Parliament enacted the **Banks and Trust Companies Regulation (Amendment) Act, 2015** and, as previously advised, licensees now have a six (6) month grace period before the application of penalties for any breaches of the Act or of regulations made under the Act. Thereafter, the accompanying **Banks and Trust Companies (Administrative Monetary Penalties) Regulations**, will be brought into force. We intend to share information concerning our internal administrative monetary penalties framework with licensees within the coming months.

As you know, our **Online Reporting and Information Management System (ORIMS)** was launched on April 13, 2015, and banks have commenced submitting their various financial returns through the ORIMS Portal. Since then, we have had to make several updates/corrections to the reporting template, and licensees should ensure that the latest template (Financial Returns Template v2.1R) is used. This has been posted to the ORIMS Portal and can be accessed by selecting → Documents → Portal Documents/Templates; and to the Bank's website at [www.centralbankbahamas.com](http://www.centralbankbahamas.com) under: Bank Supervision → Regulatory Framework → Downloadable Forms → NEW ORIMS 2015. Should you have any questions on the reporting template or experience a problem, we may be contacted at the helpline: **302-9843** or [orimshelp@centralbankbahamas.com](mailto:orimshelp@centralbankbahamas.com).

Good progress was made with our **national financial crisis management initiative**, as the Central Bank continued to review approaches for strengthening the legal framework for bank resolution. With the assistance of experts from the International Monetary Fund, our team conducted a series of meetings with various industry stakeholders, in March 2015, where we outlined the available options for revising the bank resolution framework (i.e., administrative, judicial or hybrid) and obtained an early appreciation of potential legal and practical challenges that could impact reform efforts. As a follow-up to those meetings, a discussion paper was developed and circulated to these stakeholders to obtain feedback on the preferred approach to bank resolution. We will consider these recommendations in formulating detailed proposals for draft amendments to relevant legislation, and issue a consultation paper for broader public commenting in the coming months.

Turning now to our **Basel II & III Implementation** programme, we wish to thank those of you who volunteered to share with us your **Internal Capital Adequacy Assessment Process (ICAAP)**. We are in the final stages of developing our framework, and will issue related guidance to you, shortly. We also thank those licensees who participated in the **Quantitative Impact Study (QIS)**; we are now analyzing the data received, and will share the results, in due course. Aside from these deliverables, we intend to issue a consultative paper

for Credit Risk (under the Pillar 1 framework) within the coming weeks. We also expect to commence the parallel run at the end of the third quarter 2015 and remain on track for live implementation on January 1, 2016.

In our continued surveillance of the financial sector, the Central Bank on 19<sup>th</sup> June, 2015, launched to all public licensees, a survey on correspondent banking, designed to assist us in obtaining more insights into the correspondent banking arrangements of our licensees and any emerging challenges. To this end, we wish to encourage all public banks and/or trust companies to participate in the survey, which closes on 30<sup>th</sup> June 2015, the results of which will be shared at a later date. Finally, as a part of our ongoing monitoring process, we continue to rely on licensees to be proactive in informing the Central Bank of all material events and incidents of fraud, as outlined in our Notice of July 20, 2012.

Any questions regarding this letter should be directed to:

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Sincerely,



Abhilash D. Bhachech  
Inspector of Banks & Trust Companies

26<sup>th</sup> June, 2015