Feedback from the Round of Consultation: Draft Credit Risk Guidelines, 2022

Section	Questions/Comments Received	Central Bank's Response
Paragraph 10 pg. 5	It is acknowledged that we want to have the Credit Risk Guidelines as concise as possible; however, I am apprehensive about the lack of specificity around the Board of Directors and Senior Management expectations and responsibilities. I believe the Board's key responsibilities around credit risk management should be clearly addressed and outlined in the (draft) Credit Risk Guidelines to avoid any ambiguity (although some general reference is made within the Corporate Governance Guidelines). Section 5 of the draft should therefore be enhanced to state for example, the board's responsibility for (1) periodically (annually) reviewing and approving the credit risk strategy and key credit risk policies, (2) approving appropriate risk tolerance and credit limits and (3) ensuring an appropriate credit risk environment, and that adequate controls over credit risk are in place, etc.	Thank you for your comments. The Credit Risk Guidelines ("CRG") have been amended accordingly.
Paragraph 7 pg. 3	Amend Paragraph 7 to include the underlined: However, failure to adopt satisfactory credit risk management programme appropriate to a SFI's business activities, constitutes an unsafe and unsound practice and could subject the SFI to regulatory sanctions … **and/or other supervisory intervention measures**.	Thank you for your comment. The Credit Risk Guidelines have been amended accordingly.
Section 4 (Definitions) pg. 3	Include a definition for 'financial difficulties' (Section 4). The Basel Committee has defined it here: Prudential Treatment of Problem Assets – Definitions of non-performing exposures and forbearance (2016).	The following definition was added: *"Financial difficulties means current or impending conditions that impair or may impair the ability of a borrower to meet existing or future financial obligations."* Furthermore, the Basel Committee's Prudential Treatment of Problem Assets – Definitions of non-performing exposures and forbearance, 2016 document identifies seven indicators of financial difficulty which are outlined as a footnote on page 13 of the CRG.
Paragraph 18 pg. 6	The draft Credit Risk Guidelines should clearly provide guidance around our expectations for SFIs with respect to appropriate credit administration practices and credit monitoring processes. Given the levels of NPLs locally, this would be a critical area to provide SFIs with	Your comments are duly noted. The credit administration practices and credit monitoring processes are addressed in

	clear guidance/expectations around maintaining the quality of their credit portfolios. For example, SFIs should conduct a review of all facilities annually, process for escalation for problem credit exposures, and the review of documentation (contracts, collateral etc.). The criteria for assessing the credit portfolio is already included at paragraph 18.	the *Credit Risk Management Framework* section of the Guidelines. In an effort to lower the NPL levels within the industry, the revised Guidelines include a requirement for provisioning of 100 per cent on NPLs that have aged beyond five years as stated in the paragraph 18(1) in the Fourth Schedule of the Capital Regulations.
Paragraph 39 pg. 12	Include a new statement under Section 7 around cross collateralization – SFIs must ensure that collateral used to secure one facility is not also pledged as security for other facilities.	Paragraph 39 has been updated to provide greater clarity on cross collateralisation, however, cross collateralisation is not restricted. Impairment should be recognised over all connected facilities that share the same income source. If SFIs perceive that collateral pledged for an existing facility cannot realistically support the new facility, then in this case it would be prudent to restrict further credit. Additionally, applying a 'one credit facility per collateral' rule might be problematic for firms seeking to grow their business or in need of working capital funding.
Paragraph 37 pg. 12	I am not entirely clear what our position is with respect to the treatment of non-performing exposures as it relates to group facilities (i.e. group of connected parties with an impaired facility) or how we would treat multiple credit facilities belonging to the same borrower/counterparty, where one facility is impaired or non-performing. Is this point being addressed by paragraph 37?	Paragraph 37 indicates that SFIs are required to utilise all available and relevant information when assessing impairment for pools of loans. Regarding the non-performing exposures of connected parties, should a borrower no longer meet the contractual obligations for one facility it would be prudent to categorise their other facilities as non- performing if the sources (i.e. income) utilised to service the loan are the same. This point is further addressed in paragraph 30(iii) which states "*connected parties should generally be classified on a group basis*." However, impairment would not automatically

		be applied to the group as a whole. The following exceptions have been added to paragraph 39: (a) the various facilities are not cross-collateralised, and there are no cross guarantee arrangements between the related parties; (b) there are cross-collateral and guarantee arrangements but, in aggregate, there is sufficient security among the group of related parties to ensure ultimate collectability of all principal and interest on both the impaired and performing exposures.
Appendix 1 pg. 18	Under *Appendix 1: Guidance on Accounting for Expected Credit Losses* to reflect IFRS 9 requirements, we should document **here** or in the **main body** of the Guidelines, our position and use of BCBS' discretion **not to pre-approve the validation of SFI's credit risk models** under IFRS9 (see page 20 and footnote 27 of Basel Guidance – on Credit Risk and Accounting for Expected Credit Losses).	Paragraph 14 has been amended accordingly.
Paragraph 3 pg. 2	Include abbreviation "Capital Adequacy Guidelines" for Guidelines for the Management of Capital and the Calculation of Capital Adequacy.	The Guidelines have been amended accordingly.
Section 4 pg. 4	Paragraph 9 – Definitions, re Past Due Asset – remove the word 'obligor' and replace with 'borrower' for consistency.	The Guidelines have been amended accordingly.
Paragraph 12 pg. 5	Please provide more detailed information on the intended position responsible for reporting to the board e.g. Credit Manager, Snr I, Snr II or other.	This is an internal decision to be taken by the Board. Please refer to the Corporate Governance Guidelines 2013, sections 4.12, 6.5, 10.2 and Appendix 2).
Paragraph 7 pg. 3	Please provide more detailed information on the intended position responsible for reporting to the board e.g., Credit Manager, Snr I, Snr II or other.	See comment above.
Section 4 pg. 4	Further clarity is required relative to the definition of **"Impaired Asset";** the communication implies that impairment is strictly financial [*where there is no longer reasonable assurance for the repayment of Debt*]. We note however, that impairment of a facility can also be non-financial whilst timely repayments of the exposure is still being made as agreed. There are implications here under the IFRS9 model for the staging of Impaired Assets.	Section 4 has been updated with the following revised definition: ***Impaired Asset*** *is a credit facility for which a significant increase in credit risk has occurred since the purchase or origination of the asset and there is no longer reasonable*

	There is a conflict between the distinct definitions of Impaired Assets and Non-Accrual Asset, when compared to IFRS 9's definition of Credit-Impaired Financial Asset.	*assurance of [the] timely collection of the full amount (e.g. principal and interest) without the bank's realization of collateral, regardless of the number of days the exposure is past due.* The use of 'reasonable assurance' captures instances of non-financial impairment that may be identified while the borrower continues to meet the payments of principal and interest.
Paragraph 14 (i) pg. 6	How will CBOB identify any 'perceived shortfall in credit provisioning' if both FS accounting and regulatory follows the same IFRS 9 approach?	Paragraph 14 is referring to the adjustments for shortfalls that may occur due to differences between the regulatory approach and the accounting approach. A shortfall will not automatically require that the SFI make a deduction from capital, however, the Central Bank reserves the right to require that SFIs increase provisions based on its analysis.
Section 7 pg. 7	**(Paragraph 20)** It is proposed that the "**TDSR calculation"** also include "Maintenance Costs". We propose that this component remain omitted from the calculations for single family residential mortgage borrowing, as same should be funded from the Borrower(s) disposal income; except however, for lending related to Condominiums where the Declaration calls for HOA Maintenance Fees. More clarity is required. "**Life Insurance**" Is not a substitute for sound underwriting practice, in this regard, we do not support including the same in the TDSR calculation. In many instances, Life Insurance no longer forms a part of the borrowing requirements. **(Paragraph 23) Mortgage Indemnity Insurance** are generally used to support Bank's various interim mortgage lending campaigns. Is it CBOB's expectation that these exposures going forward be classified and reported as "Exceptional Credits"?	Thank you for your comment. The Guidelines have been updated to provide clarity that Maintenance costs are limited to homeowners associations (HOA) maintenance fees and similar arrangements. The CRGs are applicable to a number of SFIs with differing business activities and credit practices, therefore; life insurance is included since it is a non-discretionary obligation. The Central Bank does not expect a change in classification for these exposures, however, there is a capital requirement (i.e. risk weighted assets) impact for higher LTV ratios.
Section 9 pg. 11	Last sentence should read "… required to calculate provision…" saying 'required to provision' is ambiguous, SFIs may calculate provision and find that provision is zero.	Paragraph 35 has been amended accordingly with regards to the calculation of provisions.

	It is noted that credit impaired assets are captured at Stage 3 of the Provisioning ECL model. Under BOB's current provisioning practices, financial instruments that may have some underline impairments are being captured at Stage 2. Is it CBOBs expectation that any form of impairment against the asset should only be captured at Stage 3? Further clarification is required as there could be multiple reasons for an impaired facility. It is noted where Off Balance Sheet instruments, such as Guarantees and Standby Letters, where there is reasonable certainty that the same will be called upon, that the exposure be regarded as impaired. In most, if not all instances these instruments are fully cash secured, thus minimizing the Bank's exposure in the event the instrument is called. We do not support additional provisions under these circumstances. How do we differentiate one from the other? 9.4 describes moving an account from non-performing to performing *(there is no definition of non-performing, only impaired and non-accrual assets*); 9.8 outlines moving an account from non-accrual to accrual status. Additional clarification is required to make certain that SFIs migration/improvement processes are consistent with your requirement. This section requires clarification. One would not restructure and move an account to performing status/on-balance sheet unless credit risk is reasonably assured of its ability to recover the restructured amount (principal & Interest).	It is not the Central Bank's intent that any form of impairment be captured solely at Stage 3. The main distinction between an impaired asset and a credit impaired asset is that impaired assets include both Stages 2 and 3 assets, while credit impaired assets refer strictly to Stage 3 assets. Your comment is duly noted. Paragraph 36 has been updated to make an exception for off-balance sheet instruments that are fully cash secured. Section 9 has been amended to assist with clarification. The non-accrual approach is inconsistent with the IFRS 9 Standard. Interest is calculated on the gross carrying amount for Stage 1 and 2 Assets and on a net basis for Stage 3 Assets; thus ceasing to accrue interest on Stage 3 Assets would not be applicable. All references to non-accrual approaches have been removed.
Section 10 pg. 15	**(a)** Further clarification is required please, is "Credit Impaired Asset" which is a specific IFRS 9 term, used interchangeably with "Impaired Assets"? **(b)** Is this section suggesting that <u>all</u> interest be reversed on an account 1-89 days past due if the account is moving to the 90-day, non-accrual status; or alternatively, if an account becomes 95 days past due in the current accounting period, is interest then reversed only for the 5-day period? Appreciate if you would provide an example for clarity. **(c)** Please provide your definition of "fully-secured"	**(a)** *See comment above* regarding the differences between impaired assets and credit-impaired assets. **(b)** This section has been amended to better align with the IFRS 9 standard, which allows for the reversal of the impairment loss to be recorded at the subsequent reporting date for assets that have had a significant increase in credit risk since purchase or origination. **(c)** The definition for **fully-secured facility** is provided in section 4 of the revised Guidelines.

	(d) How will SFIs disaggregate interest based on your proposed requirements (immaterial, partial, or full payment) in a fully-automate environment; and what are the benefits of the proposed process? **(e)** The term "below market rates" should be defined as SFIs may be utilizing proprietary rating schedules. Please note that "market rates" often differs between SFIs for various products.	**(d)** This comment also relates to the non-accrual approach, thus this section has been updated to better reflect the IFRS 9 standard. **(e)** Although separate rating schedules might be utilised and market rates vary among products, the average rates are published on the Central Bank's website which can provide a general benchmark when determining whether a rate that is offered to a client qualifies as forbearance. Depending on a SFI's portfolio and business model, however, market rates may not be limited to the rates offered solely in the domestic market thus a single definition is not included in the revised Guidelines to ensure that the Guidelines are widely applicable to SFIs.
Section 12 pg. 16	Given your new requirement, which exceeds the reporting requirements of IFRS 9, It may be prudent to provide a proforma or templates of what these disclosures are. Please clarify the term "recorded investment"	Please see paragraph 55 which outlines the disclosures. Recorded investment refers to the SFI's aggregate value of impaired assets.
Paragraphs 19 pg. 7	The Guidelines establishes that the Total Debt Service Ratio (TDSR) must be included when assessing borrowers´ ability to pay and indicates concepts of customer income and expenses that must be considered when calculating that ratio. Questions: Will the use of this ratio be a mandatory requirement for any type of operation? What would be the treatment for 100% collateralized operations? Would it be necessary to incorporate the ratio in the analysis? We grant fully collateralized loans, with liquid guarantees (mainly investment portfolios and term deposits) as a complement to the core business of investment advisory. What would be the application of this requirement for a business like the one described? Different treatments should be established depending on the nature of the operations.	The Guidelines serve as the minimum expectations of SFIs with regards to the management of credit risk. If SFIs, based on their risk appetite, require more conservative measures this would be acceptable by the Central Bank. Regarding the treatment of 100 per cent collateralized operations, the TDSR would not be affected if collateral is used as a risk mitigant. The TDSR is strictly geared towards the ability of a borrower to meet the contractual obligations outside of any additional guarantee(s) or collateral available.
Paragraph 25 pg. 8	The Guidelines establishes that functions of credit initiation, approval, review, and payments should be as separate as possible.	The Central Bank's Credit Risk Guidelines apply to a wide range of entities with varying business models; however, adequate controls should be in place to ensure that credit risk

	Question: Although there is a separation between the commercial, Risk and Operations areas, under this concept is it correct that the credit approval and review functions are centralized in the Risk area, or does it imply any change?	processes and procedures align with the SFI's board approved risk appetite.
Section 4 pg. 3	Please define "net current market value".	The following definition has been added to the revised Guidelines: *"Net current market value is defined as the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction after proper marketing of the asset and deduction of all disposal costs."*
Paragraph 19 pg. 7	When calculating the TDSR, ordinary monthly income is defined as the sum of wages and gratuities and guaranteed rental and investment income… Would it be acceptable if a Bank uses a more conservative calculation of income for underwriting purposes?	The Guidelines serve as the minimum expectations of SFIs with regards to the management of credit risk. If SFIs, based on their risk appetite, require more conservative measures this would be acceptable.
Paragraph 19 pg. 7	Currently the credit union utilizes a haircut of 75% as the hotels typically detail an average annual gratuity which is reflective of actual earnings. Also, kindly note that rental income receives a 75% haircut as it is difficult to fully accept that rental income will be received at 100%.	The revised Guidelines are not applicable to credit unions at this time. Regarding the haircuts on gratuities and rental income, the Central Bank's guidelines serve as minimum prudential requirements; thus SFIs are able to implement more conservative risk controls (e.g. haircuts) than what is outlined in the Guidelines.
Section 7, pg. 7	We are requesting that this be amended to read, the credit card minimum payment.	The Guidelines have been amended.
Section 7, Paragraph 20 pg. 7	Maintenance costs. Kindly clarify.	Maintenance costs have been amended to clarify that this includes non-discretionary maintenance costs for homeowners' associations and similar arrangements.
Section 9, pg. 11 Paragraph 42(iii)	Kindly consider three months as is customary in the industry and credit unions rely on payment via salary deductions which provide greater surety of receipt of payment. Also, this contradicts Section 9.8 which states that non-accrual assets may be restored to accrual status when all payments in arrears have been brought up to date (where the payment of arrears has not resulted from a further advance by the SFI);	The Central Bank considers six months a more conservative approach and would also avoid the moral hazard of SFIs lowering their standards if NPLs were allowed to be cured within the 90 day timeframe.

		References to the non-accrual approach have been removed from the Guidelines. Under the IFRS 9 standard, interest will accrue for Stage 3 assets on a net basis.
Section 9, pg. 11	Kindly consider three months as is customary in the industry.	As stated above, credit unions are exempt from the revised Guidelines. Nevertheless, for other SFIs a restructured facility that is granted on the basis of a borrower's financial difficulty would also be required to maintain performance for six months prior to transitioning to a less risky asset category.
Section 9, pg. 11	Kindly consider that credit unions utilize irrevocable salary deductions and loans are backed by savings. Under these circumstances it is near impossible to increase the value of the collateral as the account requires renegotiation due to weakness in the borrower's position.	The Central Bank notes your comment; however, the Guidelines do not apply to credit unions at this time.
Section 7 pg. 6	It is noted that the Guidelines outline the minimum areas of analysis and reporting to be carried out for the credit portfolio. The Bank's processes support comprehensive reporting and monitoring of the credit portfolio, however we recognize that there are a few areas we are currently challenged to meet all aspects of the outlined analytical characteristics. We seek your consideration to continue to receive our current analysis and reporting of the credit portfolio. Notwithstanding this existing limitation, a significant work effort is currently underway to implement a multi-year data modernization strategy. The data modernization program will aim to resolve our current challenges, and provide the infrastructure to generate timely and accurate reporting.	Your comments are duly noted. In this case, we recommend that you contact the Supervisory Team to discuss the matter in more detail stating the challenges and seek their approval.
Section 7 pg. 6	The Guidelines do not specify whether MII is a requirement for high ratio mortgages – only that: a. LTV of 80% is a key factor when assessing a borrower's ability to pay (Section 7.5) b. Mortgage Indemnity Insurance (MII) is not a substitute for good underwriting. We seek consideration for the new Guidelines to include a provision regarding when MII is required, or that the requirement for MII is a SFI decision. Unless specified, can the SFI assume that MII is not a prudential requirement for high ratio mortgages at any LTV level?	As stated in paragraph 23 of the Guidelines: *"Prudential limits should only be exceeded on an exceptional basis and in accordance with the SFI's Board approved risk appetite."* MII is not a prudential requirement for high LTV ratio mortgages, however, the Central Bank expects that SFIs' underwriting standards effectively assess the risks of all prospective credit facilities. Additionally, high LTVs would have a capital impact as this would increase the SFI's risk weighted assets calculation.
Paragraphs 19 and 20 pg. 7	It is noted that the proposed Guidelines include insurance in the TDSR calculation, which is currently outside of the Bank's practice. We consider this payment as coming from the	It is not the Central Bank's intent to impose additional pressure on lending requirements, however, capturing non-

	client's disposable income and levied annually. If insurance is included, this will place additional pressure on clients' ability to qualify for credit facilities, unless the ratio is increased. Consideration is being sought to remove insurance from this calculation for the aforementioned reasons.	discretionary obligations inclusive of insurance payments helps protect the interests of borrowers and SFIs throughout the life of the asset.
Paragraph 28 pg. 9	We note that SFIs should "factor in the credit risk scores of clients, obtained from the Credit Bureau, into their rating of prospective clients." While we concur with using the Credit Bureau reports, the use of the Bureau's score is subject to the score being validated and found predictive for the intended use before it is incorporated into our risk ratings. RBC currently uses internal scores and we request consideration for an interim measure to use our existing scoring until the Credit Bureau scores can be validated.	The Credit Bureau enhances transparency in lending for the SFI and borrowers. Thus in addition to SFIs' existing credit scoring frameworks lenders should view the Credit Bureau as a supplementary resource that is designed to reduce credit risk.
Paragraph 42(iii)	Paragraph 42 (iii) – We note the SFI's reclassification of non-performing assets with four conditions that must be met. We seek reconsideration with respect to item iii which notes that '*the borrower has to resume paying the full amount of the rescheduled contractual principal and interest for six months.* Monitoring for six months after the facility has been brought up to date can have an impact on the client and the Bank's financial position by holding the account in non- accrual status for the extended period of time. We seek your consideration for removal of the stipulated timeline and instead to allow SFIs the flexibility to monitor and classify within a timeline that the SFI deems reasonable after satisfying the other requirements (i,ii,iv) and assessment of customer circumstances.	The Guidelines have been updated for consistency with the IFRS 9 standard, which does not recognise the non-accrual approach. Stage 3 Assets continue to accrue interest albeit net of provisions. The six months monitoring requirement seeks to avoid the moral hazard that would exist if SFIs were allowed to quickly cure impaired assets in a shorter timeframe.
Paragraph 43(iii)	Same comment as above	See comment above.
Section 9.8	We seek clarity on the difference between non-performing assets (9.4) and non-accrual assets (9.8). With regard to 9.8 (iii) we recommend a monitoring period of three to six months (post updating of all arrears) prior to reclassification.	Non-performing assets would be considered Stage 3 Assets under the IFRS 9 standard. The Central Bank has reviewed and provided further clarity to ensure that the definitions are consistent with the IFRS 9.
Section 10.2	We recommend the continued accrual of Interest; however, the Bank will not recognize this interest as income once the asset remains in non-accrual (90 days and over) status.	As mentioned earlier the non-accrual approach is not aligned with the IFRS 9 Standard. For Stages 1 and 2 assets interest accrues on the gross carrying amount of the asset using the effective interest rate. Instead of ceasing to accrue interest for non-performing loans 90 days past due or greater, for exposures classified as Stage 3, SFIs will recognise interest on

		the amortised cost (net of provisions) of the asset. Therefore, this section was removed from the draft Guidelines.
Paragraph 51 pg. 15	Clarity is being sought on whether the term 'relevant documentation' refers to internal processes/agreements signed by the client.	That is correct, the relevant documentation would refer to the specific contractual arrangements agreed to between the bank and the borrower.
Paragraph 52 pg. 15	We recommend consideration for a timeframe of six months as the process is manual.	In alignment with best practices, the Central Bank has decided to retain the three months' timeframe for write-offs.
Paragraph 53 pg. 16	It is noted that the Guidelines outline the preferred approach for recording write-offs and recoveries related to impaired assets through the allowance for loans rather than being recorded directly as a charge or credit for asset impairment in the income statement. We seek your consideration to continue with our current approach which records write-offs and recoveries as a charge or credit in the income statement. This approach provides us with the transparency required to collect and adequately report on write offs and recoveries which are built into our core banking system. We also note that our current approach will result in no difference or variance to the financial results and reporting.	Although write-off recoveries and charges initially are accounted for through memorandum accounts, these are ultimately captured in the income statement at the end of the period when the ending balance in the allowance account is established. Where a difference in approach does not lead to a material reporting issue, SFIs may be permitted to continue the current treatment with the approval of the Central Bank.
Appendix 2	We note that loans exceeding three hundred and sixty Days Past Due (DPD) should be classified as a loss and hence written off within three months. In our view this would not be consistent with the definition of loss presented in Paragraph 30vi.e. Based on our collection experience, facilities with collateral are collectable beyond the 360DPD mark; hence do not meet the loss definition presented in Paragraph 30.vi.e. We recommend excluding the 360DPD upper band on Appendix 2; so that SFIs can develop a rating system consistent with their internal experience, collection practices and policies.	For assets categorised as "loss", the three month deadline would provide more discipline to the sector to proactively manage non-performing exposures. Excluding the upper band could encourage SFIs to allow NPLs to be categorised as "loss" indefinitely. Additionally, as stated in Paragraph 30 of the Guidelines, "the Central Bank does not wish to impose a standard CRGS for all SFIs. Rather, the Central Bank will rely upon the system adopted by each SFI, provided that the system adopted is satisfactory to the Central Bank." Therefore this takes into account the SFI's unique internal processes and procedures.
General Comments	There is no indication of a minimum equity contribution as per the Central Bank's Notice to Commercial Banks dated March 30, 2012 which indicated fifteen percent minimum equity on all personal loans unless cash secured or MII. We are seeking clarity whether the new Guidelines supersede the aforementioned Notice (no minimum equity requirement) or if both Guidelines will apply (minimum equity requirement still in effect).	The Central Bank issued the *Relaxed Lending Rules for Domestic Credit* on 12 August, 2022. The CRG has been updated to align with the changes outlined therein.

Paragraph 13 pg. 5 – IFRS 9 Financial Instruments	The regulatory requirements outlined do not appear to align with IFRS 9 standard.	The Central Bank has reviewed this section. Paragraph 13 communicates that the IFRS 9 standard supersedes the IAS 39 standard which was an incurred loss model. IFRS 9 however is an expected loss model.
Section 7 pg. 7.- Total Debt Service Ratio (TDSR & Loan to Value (LTV)	Market Observation & Operational Viability: From a consumer credit and lending perspective, we note that many Bahamians are highly leveraged borrowers, and largely risk classified medium high to high risk. In addition, borrowers are able to obtain financing from unregulated lenders without restriction. Consolidation loans are sought from the commercial banks which serve to reduce the customer's DSR and TDSR but often time the 45% DSR is not achievable. Whilst consumer loans in the commercial banks reduced by $300M between December 2017 and December 2021, the actual size of the country's consumer loans is unknown as there is no reporting by the unregulated lenders and therefore the "decrease" could actually be a transfer to unregulated lenders. Against this backdrop: • The implementation of an across the board DSR of 45% could have the unintended consequence of pushing more financing to unregulated lenders. Improving the financial health of the average consumer borrower requires a holistic approach as opposed to one that will accelerate the movement of loans from SFIs to unregulated lenders. • Financing for emergencies (medical, funeral expenses, etc.) would be precluded • Given the economic challenges of the last three years, implementation of a maximum TDSR of 45% would retard economic recovery at this time. • Consideration should be given to high income, stably employed borrowers whose disposable income is still significant at TDSR levels above 45% highlighting the importance of considering disposable income. • Was it the intent of Central Bank to refer prudential thresholds of DSR at 45%, instead of TDSR at 45%? • Recommended inclusion for last line in section 7: "Additionally, prudential limits should only be exceeded on an exceptional basis and in accordance with the SFI's Board approved risk appetite''.	During the pandemic the Central Bank had relaxed the TDSR requirements of SFIs to encourage the sector to provide much needed support to the economy. The TDSR is a macroprudential tool of the Central Bank, thus this prudential ratio is subject to change. The impact that unregulated lenders would have is tied to the transparency in lending efforts that is a part of the credit reporting framework. Additionally, SFIs are expected to verify borrower income sources thus any additional borrowing would have to be supported with the borrowers disposable income. On 12 August, 2022 the Central Bank issued a Notice: *Relaxed Lending Rules for Domestic Credit*, which can be found on the Bank's website.

Section 7 pg. 7 – TDSR – Monthly Non- Discretionary Obligations	• We note Central Bank's requirement to include insurance premium payments, maintenance cost and real property tax in the calculation of TDSR for all credit facilities. In this regard, kindly clarify the credit risk management, treatment and application for the various credit and lending typologies [i.e. consumer, mortgage, restructures, rewrites etc.], and its associated risk and industry implications for the customers' ability to qualify.	The TDSR should be applied at the retail exposure level which includes consumer loans, residential mortgages, restructures etc.
Paragraph 28 pg. 9 – Credit Bureau	• How will the Credit Risk Guidelines via Credit Bureau factor customer financial exposures to unregulated lenders?	The credit reporting framework in the Guidelines does not include exposures to unregulated lenders.
Section 9 pg. 11	• We note that the Credit Risk Guidelines does not expressly define: 1. Credit Impaired Assets (Section 9) 2. Non-performing assets (Section 9)	Credit impaired assets solely refers to Stage 3 Assets while Non-performing Assets covers credit facilities classified as Stage 2 and 3 (i.e. Substandard or Loss). Therefore credit impaired assets are a subset of non-performing assets. See footnote on page four.
Section 10 pg. 15	• Further clarification is needed to better understand the accounting treatment and operational approach regarding the interest accrual process for a credit-impaired asset. [i.e. interest income on non-accrual loans, i.e. accrued interest reversal from 0 days + or 90 days +].	This section has been updated in accordance with the IFRS 9 standard; for Stage 3 Assets, interest is accrued on the amortized cost [Gross carrying value less the Expected Credit Losses] at the original effective interest rate.
Section 10 pg. 15	• Further clarification is needed on the credit risk treatment and application of the various clauses.	Section 10 referenced non-accrual assets which have since been removed from the revised Guidelines.
Section 11 pg. 15	• We note that the Credit Risk Guidelines does not expressly define: Write-Offs (Ref. 11, pg. 15)	The Central Bank has included a definition in the revised Credit Risk Guidelines. According to IFRS 9, *"an entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof."*