



QUARTERLY LETTER ON REGULATORY AND SUPERVISORY DEVELOPMENTS

BANK SUPERVISION DEPARTMENT
31 March, 2023



QUARTERLY LETTER

Introduction

With the current level of uncertainty and instability in global financial markets, the Central Bank of The Bahamas (“Central Bank”), like other regulators, continues to maintain close surveillance of Bahamian regulated entities. On the whole the stability of the sector’s balance sheet is not threatened by these events, although it is too soon to assess how the operational footprint of supervised financial institutions could be impacted. Nevertheless these upheavals underscore the importance of ongoing initiatives to strengthen The Bahamas’ crisis management framework. Crisis management and resolution have been important focuses of the Central Bank’s regulatory agenda over the years, recently resulting in a formalized legal framework for recovery and resolution for the banking sector. Similar emphasis is now being placed on developing a resolution approach for the credit union sector.

This year, the Central Bank will continue with its roadmap to put in place the operational infrastructure to support resolution, based on the recommendations from the technical assistance provided by the International Monetary Fund in 2022. Some of the recommended reforms are also directed at strengthening the Deposit Insurance Corporation (“DIC”), as will be exposed during the DIC’s public awareness initiatives during the course of the year.

In this edition of the quarterly letter, we wish to highlight some of our external engagement activities that have transpired during the first quarter, 2023, as well as provide brief updates on some of our strategic projects and policy related work.

AML Empirical Research Conference

The Central Bank thanks the 1,000 plus participants, authors and presenters at the Fourth Annual International Research Conference on Empirical Approaches to Anti-Money Laundering and Financial Crime. The Bank successfully hosted the conference in partnership with the Inter-American Development Bank (“IADB”) on 26 - 27 January, 2023. Plans are underway for the 2024 conference, which is likely to be held 17-19 January. Further details will be provided in the coming months.

Annual Industry Briefing 2023

The Central Bank also thanks participants who attended the Bank Supervision Department’s Annual Industry Briefing held on 28 February. We were pleased to share with you our planned supervisory focus for 2023 and our external engagement calendar. The [slide presentation](#) from the briefing has been posted to the Bank’s website and is accessible via the path: Core Functions -> Bank Supervision Department -> Notes and Notices -> Speeches and Presentations -> Industry Briefing February 2023.

Quarterly Financial Return

As indicated in the [Central Bank's Guidance Notes for the Completion of the Financial Return](#), Supervised Financial Institutions ("SFIs") are reminded of the following with respect to data submitted on Form 1: Statement of Liabilities & Capital Reserves and Form 7: Profit & Loss Statement of the Quarterly Financial Return:

- Form 1: Accrued Profits should reflect the accumulation of earnings for the current year. As such, the data is expected to be reported on a **cumulative basis**.
- Form 7: This form covers income earned and expenses incurred during the three months of the reporting quarter, figures are to be reported on a **non-cumulative basis**. That is, this information is to be reported for the **specific quarter only**.

Starting with the Quarterly Financial Return for 30 March, 2023, SFIs should ensure that Forms 1 and 7 are completed as indicated above to avoid penalty. The Supervisory Team or the Analytics Unit may be contacted if further clarification is required.

Enterprise Application Portal

As shared in our December, 2022 Quarterly Letter, we have identified and communicated with SFIs that will participate in the parallel run of the Enterprise Application Portal for the Approved Persons application. SFIs in this group who wish to register additional users are advised to submit an email to EAPHelp@centralbankbahamas.com, providing the users' first and last names and their business email. A maximum of 5 users are allowed per SFI. Moreover, we confirm that we have successfully received and processed some initial applications for the Appointment of Approved Persons. The Central Bank's next step will be to onboard the remaining SFIs to the Portal, starting with just the submission of Approved Persons applications. Afterwards, we will be rolling-out the remaining categories of application in tranches. Further communication will be disseminated in this regard.

We thank you for your cooperation and willing participation. Please provide any feedback that you have regarding this exercise via the EAP Help email address.

Recovery Plans

As communicated in the [Press Release](#), dated 21 September, 2022, SFIs are reminded that recovery plans are now due from all public banks and bank and trust companies. Recovery Plans from credit unions remain due on or before 31 May, 2023.

Policy Updates

We thank stakeholders for their feedback on the Draft Digital Assets Guidelines. The comments received are under active review. We will communicate the finalization of the Guidelines in due course. Some of the feedback received were on the following:

- To expand/insert new definitions;

- Clarity on the applicability of the Guidelines;
- Custody of digital assets and the role of the custodian;
- Governance and Risk Management;
- Central Bank's approval process; and
- Expansion on the Central Bank's Reporting/Disclosure Requirements.

In addition to the work done on the capital framework, we are also in the process of amending the regulations and guidelines on Large Exposures and Liquidity. We are also fine-tuning two guidance documents, Compliance Officers Guidelines and the Enterprise-Wide Risk Assessment Guidance Notes. We anticipate the release of the guidelines for industry consultation in the second quarter 2023.

In closing, the Central Bank looks forward to collaborating with all industry stakeholders throughout the year.

Karen Rolle

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Inspector of Banks & Trust Companies

Any questions regarding this letter should be directed to:

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