

# THE BANKS AND TRUST COMPANIES (LARGE EXPOSURES) REGULATIONS, 2026

## Arrangement of Regulations

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# THE BANKS AND TRUST COMPANIES REGULATION ACT, 2020

## (NO. 22 OF 2020)

### THE BANKS AND TRUST COMPANIES (LARGE EXPOSURES) REGULATIONS, 2026

In exercise of the powers conferred by section 82 of the Banks and Trust Companies Regulation Act, 2020 (No. 22 of 2020), the Central Bank of The Bahamas makes the following Regulations –

#### 1. **Citation.**

These Regulations may be cited as the Banks and Trust Companies (Large Exposures) Regulations, 2026.

#### 2. **Interpretation.**

In these Regulations -

“**Board**” means the Board of Directors of a Supervised Financial Institution;

“**Capital Base**” or “**total regulatory capital**” has the meaning assigned in Regulation 2 of The Bahamas Capital Regulations, 2022 (No. 22 of 2020);

“**Central Bank**” means the Central Bank of The Bahamas preserved and continued pursuant to **Section 3** of the Central Bank of The Bahamas Act, 2020 (No. 24 of 2020);

“**Collateral**” refers to eligible contingent assets that are pledged by borrowers to lenders or obligations undertaken by a third-party that serve as a security to reduce the expected losses if default were to occur;

“**Concessive terms**” means conditions and requirements that are less demanding than or inconsistent with the conditions and requirements imposed upon the general range of non-related-party clients in similar circumstances;

“**Control**” means the ability of a legal or natural person to ensure the affairs of a legal entity are conducted in accordance with the wishes of that person by means of either –

- (a) the holding of shares, voting rights, or the position of voting power;
- (b) significant influence on the appointment or dismissal of a SFI’s administrative, management or supervisory body; or

- (c) by virtue of any agreement or any powers conferred by the articles of association or any other document.

In assessing whether there is a control relationship between counterparties, SFIs must automatically consider that one of the counterparties directly or indirectly, has control over the other(s) if one entity owns more than 50 percent of the voting rights of the other entity;

**“Counterparty”** means the borrower (customer), the person guaranteed, issuer of a security in the case of an investment in a security, or the party with whom the contract is made in the case of a contract;

**“Credit risk”** means any risk associated with a SFI’s on and off-balance sheet exposures and includes any risk to the earnings or capital arising from the potential that a borrower or counterparty will fail to perform on a loan or extension of credit;

**“Credit Risk Mitigation”** or **“CRM”** means any technique used by a SFI to reduce the credit risk associated with any exposure held by the reporting SFI;

**“Domestic Systemically Important Bank”** or **“D-SIBs”** means a bank which has been designated by the Central Bank as an institution whose impact, in the event of distress or failure, could cause significant disruption to the financial system and economic activity of The Bahamas;

**“Economic interdependence”** means a relationship between counterparties where the financial failure of one counterparty will likely lead to the failure of the other. In establishing connectedness based on economic interdependence, SFIs must consider, at a minimum, the following qualitative criteria –

- (a) where 50 percent or more of one counterparty’s gross receipts or gross expenditure (on an annual basis) is derived from transactions with the other counterparty (e.g., the owner of a residential/commercial property and the tenant who pays a significant part of the rent);
- (b) where one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default if a claim occurs;
- (c) where a significant part of one counterparty’s production/output is sold to another counterparty, which cannot easily be replaced by other customers;
- (d) when the expected source of funds to repay the loans of both counterparties is the same and neither counterparty has another independent source of income from which the loan may be serviced and fully repaid;

- (e) where it is likely that the financial problems of one counterparty would cause difficulties for the other counterparties in terms of full and timely repayment of liabilities;
- (f) where the insolvency or default of one counterparty is likely to be associated with the insolvency or default of the other(s); and
- (g) when two or more counterparties rely on the same source for the majority of their funding and, in the event of the common provider's default, an alternative provider cannot be found – in this case, the funding problems of one counterparty are likely to spread to another due to a one-way or two-way dependence on the same main funding source;

**“Exposure”** means –

- (a) claims on a counterparty including actual and potential exposures which would arise from the drawing down in full of undrawn advised facilities, whether revocable, irrevocable, conditional or unconditional, which the SFI has committed itself to provide and claims which the SFI has committed itself to purchase or underwrite;
- (b) contingent liabilities arising in the normal course of business and liabilities that would arise from the drawing down of undrawn advised facilities;
- (c) holdings of equity capital, bonds, bills or other financial instruments; and
- (d) any other assets that constitute a claim on a counterparty by the SFI and which are not included in sub-subparagraphs (a), (b), or (c);

A **“Group of Connected Counterparties”** means two or more natural and legal counterparties that constitute a single risk and includes –

- (a) any party that, either directly or indirectly, controls (see definition above) the counterparty;
- (b) any party that is controlled, either directly or indirectly, by any party that controls, either directly or indirectly, the counterparty;
- (c) a relationship where the failure of one counterparty would likely lead to a failure of the other counterparties;
- (d) a subsidiary or associate company of the counterparty;
- (e) directors, executive officers, senior staff, and controlling shareholders, of the counterparty;
- (f) directors, executive officers, senior staff, and controlling shareholders of any person identified in (a), (b) and or (d);

- (g) a basis of economic interdependence where the sum of all exposures to one individual counterparty exceeds five percent of the eligible capital base; and
- (h) such other person, not specified in (a) through (g), as the Central Bank may determine;

**“Immediate family members”** means a parent, sibling, spouse and/or child;

**“Investment Grade”** means exposures rated AAA to BBB- by an accredited external rating agency, demonstrating a low default rate and adequate capacity to meet financial commitments, including the repayment of both principal and interest;

**“Investment Grade Banks”** means banks that are located in investment grade countries;

**“Investment Grade Central Banks”** means central banks located in investment grade countries;

**“Investment Grade Central Governments”** means central governments located in Investment grade countries;

**“Investment Grade Countries”** means any country that has a short-term or long-term rating grade between 1 and 3 by a Central Bank recognised External Credit Assessment Institution (“ECAI”) pursuant to the Third Schedule of The Bahamas Capital Regulations, 2022;

**“Large Exposure”** means the sum of all exposure values of a SFI to a counterparty or to a group of connected counterparties that is equal to or above ten percent of the SFI’s capital base;

**“Look-Through Approach”** or **“LTA”** means the methodology under which a SFI must utilise the risk weight of an underlying exposure, as if the exposure were held directly by the SFI;

**“Non-Capital Investment”** means any stock, inventory, or property that is held for the sole purpose of trading (i.e., short-term). This applies to both short-term equity and debt securities;

**“Non-Investment Grade”** refers to exposures that receive a rating lower than BBB-, according to external credit rating agencies, demonstrating a speculative capacity to meet financial commitments, including the repayment of both principals and interest;

**“Non-Investment Grade Central Banks”** means central banks located in non-Investment grade countries;

**“Non-Investment Grade Central Governments”** means central governments located in non-Investment grade countries;

**“Non-Investment Grade Countries”** means those countries which are not included in Investment grade;

A **“Related Party”** is a counterparty that is linked to the SFI and includes -

- (a) a person that controls, whether directly or indirectly, a SFI;
- (b) a person that is controlled, whether directly or indirectly, by the person that controls the SFI;
- (c) the subsidiaries or associate companies of a SFI;
- (d) the directors, executive officers, senior staff of—
  - (i) a SFI; or
  - (ii) any person identified in paragraphs (a), (b) or (c);
- (e) any person (or beneficial owner) who, either alone or together with any associate, is entitled to exercise control over ten percent or more of the share capital of—
  - (i) a SFI; or
  - (ii) any person identified in paragraphs (a), (b) or (c);
- (f) the immediate family members of persons identified in paragraphs (a), (d) or (e);
- (g) partnerships, companies, trusts or other entities in which an immediate family member referred to in paragraph (f), has a controlling interest;
- (h) any person that manages or is managed by the SFI under a management contract; and
- (i) such other person, not specified in (a) through (h), as the Central Bank may determine;

**“Related party transactions”** means any transaction entered into with related parties or in which an unrelated party (with whom a bank has an existing exposure) subsequently becomes a related party and includes –

- (a) on-balance sheet and off-balance sheet credit exposures;
- (b) dealings such as service contracts, asset purchases and sales;
- (c) construction contracts; lease agreements; and
- (d) derivative transactions; borrowings; and write-offs;

**“Supervised financial institution” or “SFI”** means any licensed bank or bank and trust company but does not include any entity specified in Paragraph 4 of the Large Exposure Guidelines.

**3. Single exposure limit.**

- (1) As prescribed in the *Schedule*, no SFI shall incur exposures, on an aggregate basis, to any individual counterparty or group of connected counterparties, which exceed twenty-five percent of the SFI's capital base.
- (2) No SFI shall hold non-capital investments in securities of a single issuer which exceed ten percent of the SFI's capital base.

**4. Limit on exposures to related parties.**

- (1) No SFI shall incur exposures to any of its related parties, as set out in the *Schedule*, which in aggregate exceed fifteen percent of the SFI's capital base.
- (2) All exposures to related parties must be –
  - (a) at market rates and without concessive terms; and
  - (b) specifically approved and reviewed no less frequently than annually by the SFI's Board of Directors.

5. The Central Bank shall monitor all exposures to related parties and may deduct them from the capital base of the SFI if they are, in the opinion of the Central Bank, of the nature of a capital investment or made on concessive terms.

6. Where a director is directly or indirectly interested otherwise than as a director, or in common with other directors in a related party transaction, which gives rise to a conflict of interest, –

- (1) the director must disclose the nature of his interest at the first meeting of the Board at which the director is present after the relevant facts have come to the director's knowledge;
- (2) the disclosure shall be recorded in the minutes of the Board; and
- (3) after the disclosure has been recorded in the minutes of the Board, the director shall not take part in any deliberation or decision of the Board with respect to the transaction.

**7. Domestic Systemically Important Banks (D-SIBs).**

No SFI shall incur exposures to D-SIBs, which in aggregate exceed fifteen percent of its capital base as set out in the *Schedule*.

**8. Aggregate limits on large exposures.**

No SFI shall incur non-exempt large exposures, which in aggregate exceed eight hundred percent of its capital base as prescribed in the *Schedule*.

## 9. **Exempt exposures.**

The following exposures shall be exempt from the limits outlined in regulations 3, 4, 7 and 8 –

- (a) exposures denominated in Bahamian Dollars to the Government of The Bahamas and non-commercial Bahamian governmental institutions or secured by securities and or guarantees of the Government of The Bahamas;
- (b) exposures denominated in Bahamian Dollars to the Central Bank;
- (c) exposures to Investment Grade central banks, in the sovereign currency of the relevant central banks;
- (d) exposures to Investment Grade central governments, in the sovereign currency of the jurisdiction, which are rated high grade or higher by two of the major credit rating agencies for foreign currency debt;
- (e) exposures secured by securities and or guarantees from Investment Grade central governments which are rated high grade or higher by two of the major credit rating agencies for foreign currency debt;
- (f) short-term interbank deposits of not more than six months maturity, booked with Investment Grade banks; and
- (g) exposures which are fully collateralised throughout their tenure by cash deposits, including certificates of deposit and equivalent instruments issued by the lending bank, held by the lender with the specific right of offset, where the release of the deposit is conditional on the repayment of the related extensions of credit.

Exempt exposures will be subject to the Central Bank's large exposures regulatory reporting requirements contained in Regulation 14.

## 10. **Exemption from exposure limits.**

The Central Bank may, upon receiving prior notice from a SFI of any of the exposures set out in paragraphs (a), (b), (c), (d), (e) and (f) hereof, exempt the SFI from the exposure limits outlined in regulations 3, 4, 7 and 8 –

- (a) exposures to Non-Investment Grade central governments and central banks which are denominated in the country's local currency and funded by liabilities in the same currency rated high grade or higher by two of the major credit rating agencies for foreign currency debt;
- (b) exposures which are collateralised by investment grade marketable securities throughout their tenure, which are recognised by the Central Bank, and have a market value equal to at least one hundred percent of the extension of credit or such higher percentage as the Central Bank shall require, notwithstanding the

parameters outlined in Paragraph 28 of the *Large Exposures Guidelines, 2026*;

- (c) exposures which are supported by a parental guarantee acceptable to the Central Bank;
- (d) underwriting exposures which do not exceed 90 days duration. Any residual holdings of securities, which are held for more than 90 days, shall not be treated as exempt and shall be subject to the limits outlined in regulations 3, 4, 7 and 8;
- (e) off-balance sheet exposures (such as derivative contracts) to banks which are acceptable to the Central Bank; and
- (f) exposures to related parties where the SFI or the related party is fulfilling a treasury role on behalf of the group or managing liquidity across the group and the conditions set by the Central Bank have been met.

## **11. Look-through exposure limits.**

SFIs may apply the look-through approach to determine the exposure value to collective investment instruments, collateral programs, or Lombard Lending for large exposure purposes. SFIs may be granted an exemption or larger limit by the Central Bank, upon satisfaction that –

- (a) the SFI has created a sound risk management program to separately track exposures within the vehicle and/or program, as well as the aggregate exposure; and
- (b) any other condition the Central Bank places upon the SFI's ability to look through the vehicle or program.

## **12. Credit risk mitigation techniques.**

SFIs should develop and implement procedures to identify, monitor, and control their exposure to credit risk concurrent with Paragraphs 15 – 18 of the *Credit Risk Guidelines, 2022*. Eligible CRM techniques for large exposures must meet the requirements and eligibility criteria set out in the Fourth Schedule of the *Bahamas Capital Regulations, 2022*.

## **13. Compliance and internal policies.**

- (1) SFIs shall implement and maintain internal policies and internal limits which will ensure compliance with all laws and regulations.
- (2) SFIs must document their large exposures management policies, including large exposures management and limits, in relevant risk management plans.

**14. Reporting requirements.**

SFIs shall report to the Central Bank all large exposures before and after credit risk mitigation recognised by the Central Bank, exempt or otherwise, on a quarterly basis, or more frequently if required by the Central Bank, in the manner determined by the Central Bank.

**15. Ad hoc exemption/waivers.**

SFIs may request prior approval from the Central Bank for a large exposure. The SFI must not assume any such exposure before receiving prior approval.

**16. Notification of breach.**

A SFI must, on becoming aware of any breach of regulations –

- (a) notify the Central Bank and provide the particulars of the breach in the manner determined by the Central Bank within two business days after breaching the regulations; and
- (b) take immediate action to bring the exposure within the established limits as soon as practicable but no later than five business days after breaching the limits.

**17. Remedial action by the Central Bank.**

Where a SFI is in breach of these regulations, the Central Bank may act to determine the reason for the breach and what remedial action is required.

**18. Notice of remedial action for compliance.**

The Central Bank may, by notice in writing served on the SFI, require the SFI to take such remedial action as it thinks fit to ensure compliance with these regulations.

**19. Variation of limits.**

The Central Bank may, by notice in writing served on a SFI, vary any of the limits specified in these regulations, for any SFI or class of SFIs, or for any exposure or class of exposures.

**20. Penalty for non-compliance.**

- (1) The Central Bank may impose a penalty not exceeding \$100,000 where a SFI fails to comply with the provisions of these regulations.
- (2) Any person wilfully or negligently causing a SFI to breach the requirements of these regulations may be subject to fit and proper review by the Central Bank.
- (3) The Central Bank may, if deemed fit, exempt a SFI or any person from the provisions of these regulations.

**21. Revocation of S. I. No. 3 of 2006.**

The Banks and Trust Companies (Large Exposures) Regulations, 2006, is revoked.

# **SCHEDULE**

## **(Regulations 3, 4, 7, & 8)**

### **Exposure Limit Requirements**

Exposure Limit Requirements			
Single Exposure	Exposures to Related Party	Exposures to D-SIBs	Non-Exempt Exposures
25%	15%	15%	800%

**Made this** **day of** **2026**

**John A. Rolle  
Governor  
Central Bank of The Bahamas**