



THE CENTRAL BANK OF THE BAHAMAS

QUARTERLY LETTER ON REGULATORY AND SUPERVISORY DEVELOPMENTS

BANK SUPERVISION DEPARTMENT

November 5, 2018



QUARTERLY LETTER

A Successful AML/CFT Conference

The Central Bank, the Group of Financial Services Regulators and the Financial Intelligence Unit wish to convey our sincere thanks to the over four hundred participants at the first annual Bahamas AML/CFT Conference. Your participation contributed to making the conference the success that it was and we look forward to your continued support and participation at future events.

FATF and Correspondent Engagement

You would have seen the FATF's recent addition of The Bahamas to the list of "other monitored jurisdictions"¹, which was a disappointing outcome. The Bahamian Government has committed to continue the comprehensive national approach to improving our AML/CFT standing.

As one part of this approach, the Central Bank intends to increase its engagement with correspondent banks as follows:

- 1) If any SFI thinks it useful, Bank Supervision staff are available upon reasonable notice to discuss our approach to AML/CFT supervision with current and prospective correspondent banks. We can conduct this discussion at our offices or by phone/video conference.
- 2) We will shortly consult on a new data collection, which will give the Central Bank a comprehensive contact database for correspondent banks and bankers. This will facilitate more effective communication with this important stakeholder group.

Industry Briefing December 2018

Our annual industry briefing with all SFIs will be held this year on the morning of Tuesday, 11th December. Please save the date. A notice providing further details will issue shortly.

¹ <http://www.fatf-gafi.org/countries/#high-risk>

Financial Sector Assessment Program (FSAP)

The International Monetary Fund (IMF) under the Financial Sector Assessment Program (FSAP) will assess the financial services sector of The Bahamas in January, 2019. The FSAP is a comprehensive assessment of a country's financial sector which includes, inter alia, an evaluation of its compliance with international standards for the banking, securities and insurance sectors, its resilience to shocks and the corresponding effectiveness of financial safety nets. The programme brings together World Bank and IMF expertise to help countries reduce the likelihood and severity of financial sector crises. In preparation for this assessment, a team from the IMF visited The Bahamas from 23rd to 26th October 2018, to discuss the scope of the FSAP. We extend thanks to all the firms that met with the Mission Team and provided the data requested. We will continue to keep you informed of the progress of the FSAP.

Implementing Basel II & III

- Liquidity Discussion Paper

The Central Bank will soon release a Discussion Paper on the Liquidity Coverage Ratio and Net Stable Funding Ratio. The Discussion Paper outlines the Bank's new funding liquidity standards and monitoring metrics based on Basel's new minimum standards and requirements. The proposals also detail:

- What qualifies as High Quality Liquid Assets (HQLA);
- The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements; and,
- Our approach for the implementation of the enhanced liquidity monitoring metrics.

We look forward to receiving your feedback on our proposal as delineated in the Discussion Paper.

In the interim, the Central Bank invites any SFI with concerns about its current or future liquidity positions to meet with their supervisors to discuss the way forward.

- Capital and Minimum Disclosure Discussion Papers

We extend thanks to SFIs and the Association of International Banks and Trust Companies for the feedback received thus far on the captioned discussion papers. The closing date for this consultation was 31 October.

Making the Application Process Simpler for Jointly Regulated SFIs

SFIs that are jointly regulated by the Central Bank of The Bahamas (CBOB) and the Securities Commission of The Bahamas (SCB) typically submit two sets of documents in support of www.centralbankbahamas.com

applications for Approved Persons. CBOB will now accept the SCB documents and formats in support of Approved Persons applications.

Jointly regulated SFIs may submit the same application package to CBOB and SCB, which must include the following:

1. Board of Directors Resolution or Secretarial Certificate with the extract of the Board of Director's Meeting sanctioning the appointment of the applicant;
2. Detailed Curriculum Vitae;
3. Two Character References;
4. One Financial Reference;
5. Job Description (as applicable);
6. Passport copy which must include full name, photograph, date of birth, nationality, signature and expiry date;
7. Work Permit (as applicable); and
8. Evidence of professional qualifications (copies of degrees, certificates, etc.).

Jointly regulated SFIs should note the following:

1. In line with current practice, CBOB does not require an application fee;
2. CBOB will not require SCB's application form;
3. CBOB will continue to require two character references in cases where these are not required by SCB;
4. CBOB will continue to require, in addition to the SCB material, a completed Confidential Statement that is initialled on each page by the applicant and notarized by a Justice of the Peace or a Notary Public (The Confidential Statement may be found on the Central Bank's website);
5. In the case of CEOs/SOIs, CBOB will continue to require the job description for the role;
6. In the case of MLROs, CBOB will continue to require the organizational chart demonstrating the independence of the MLRO role and certified copies of the applicant's relevant diplomas;
7. CBOB will continue to require jointly regulated SFIs to notify CBOB of the Compliance Officer, once approval is granted by SCB;
8. Approvals/rejections from either regulator will remain independent. Regulators will continue to grant separate approvals/rejections;
9. Submission of the same application package is optional. Jointly regulated SFIs may continue to file separate submissions;
10. CBOB will continue to have the authority to request any document necessary to complete the application process.

As a practical matter, the above arrangements mean that SFIs choosing to do so, may prepare an Approved Persons application using the SCB forms, plus the CBOB Confidential Statement and any other CBOB-specific material, and that will constitute a complete application package for CBOB purposes.

SFIs are reminded of the Notice issued on 29th June, 2018 advising that Bank Supervision Department is now digital with effect from 2nd July, 2018 and as such, all the above-listed documents must be submitted in electronic format.

Directive on the Reporting of Material Events and Incidents of Fraud

SFIs are reminded of the directive issued by the CBOB via Notice dated 20th July, 2012 on the “Reporting of Material Events and Incidents of Fraud”. The Notice advised SFIs of the requirement to immediately notify the Inspector of Banks and Trust Companies, if they become aware that a material event (for example, suspicious activities, incidents of fraud, or regulatory enforcement actions) could have a significant adverse impact on the SFIs safety and soundness or reputation, has, may have occurred, or may occur in the foreseeable future. In this context, notification to an SFI’s Lead Supervisor or Assistant Lead Supervisor also satisfies the requirement to “notify the Inspector”.

AML Risk Assessments

SFIs are reminded of the requirement at Section 25.3.5 of the revised AML/CFT/CFP Guidelines, issued on 29th August 2018, to conduct self-assessments of each entity’s money laundering and terrorist financing risks, and to make the assessments accompanied by a board attestation available to the Central Bank annually. Non-submission of this document will be subject to administrative monetary penalties. A separate notice indicating the timeline for submission, as well as other pertinent details, will issue shortly.

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Inspector of Banks & Trust Companies

Any questions regarding this letter should be directed to:

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