



**Presentation to the AIBT Regulators' Forum
by
Governor John Rolle**

June 7, 2017

Outline

- Selected trends
- Strategic Plan (2016-2020)
- Policy Issues Impacting Bahamas' Jurisdiction
 - FSB
 - Caribbean level policy coordination
- Conclusion

Selected Industry Trends

- Low growth in industry
 - Contribution to economy impeded
 - Underpinned by external economic and political pressures
 - & by stricter global regulatory standards in the interest of financial stability

Banking Sector

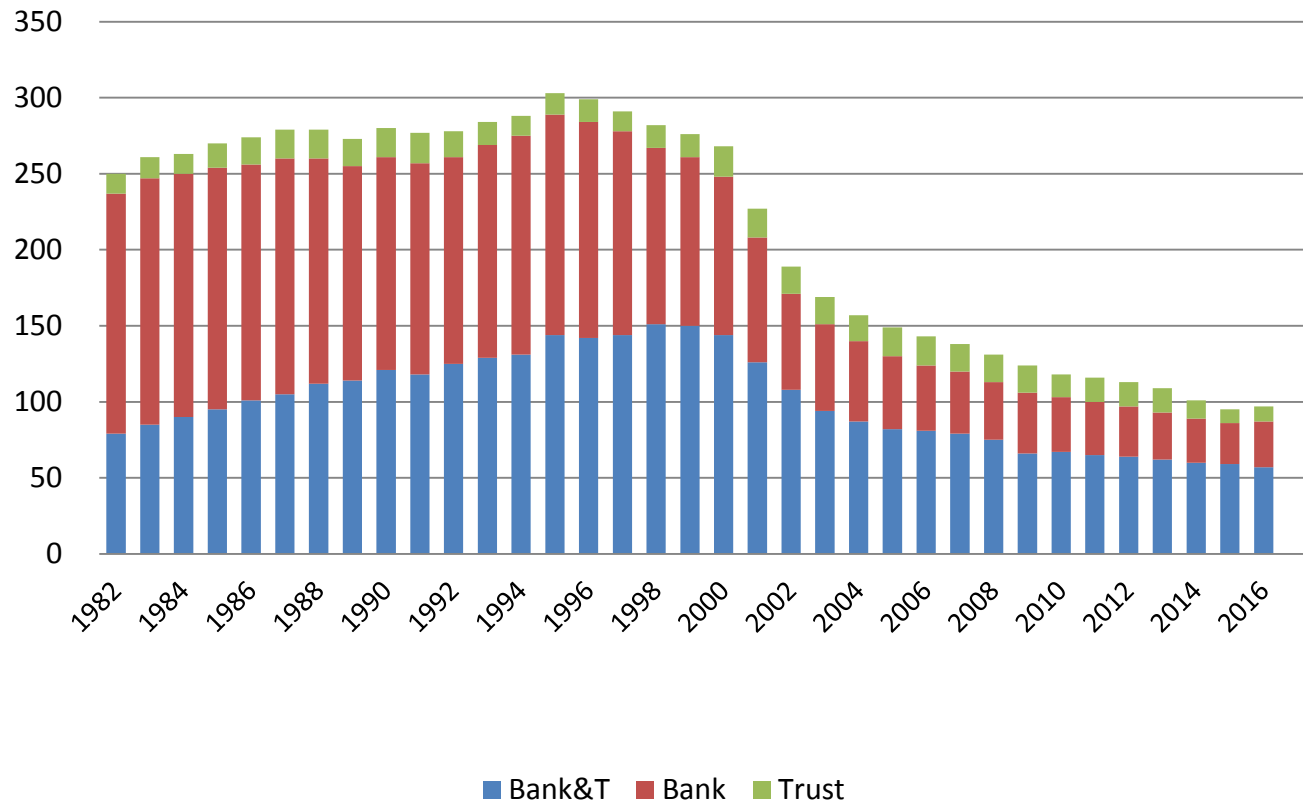
Economic Contribution of Banks and Trust Co's

	2001p	2009	2015p	2016p
A. EMPLOYMENT	4,586	4,932	4,366	4,256
B. OPERATING COSTS (\$M)	381.3	538.7	692.8	708.0
1. Salaries ¹	195.3	281.8	316.5	327.0
2. Government Fees	16.5	26.3	65.4	69.0
3. Staff Training	2.2	1.9	2.1	2.9
4. Other Admin Costs	167.4	228.8	308.8	309.1
C. CAPITAL EXPENDITURE (\$M)]	48.7	21.1	32.1	21.7
D. TOTAL EXPENDITURE (B+C)	430.0	559.8	725.0	729.7
E. AVERAGE SALARY (B\$'000)	42.6	50.1	62.0	65.4

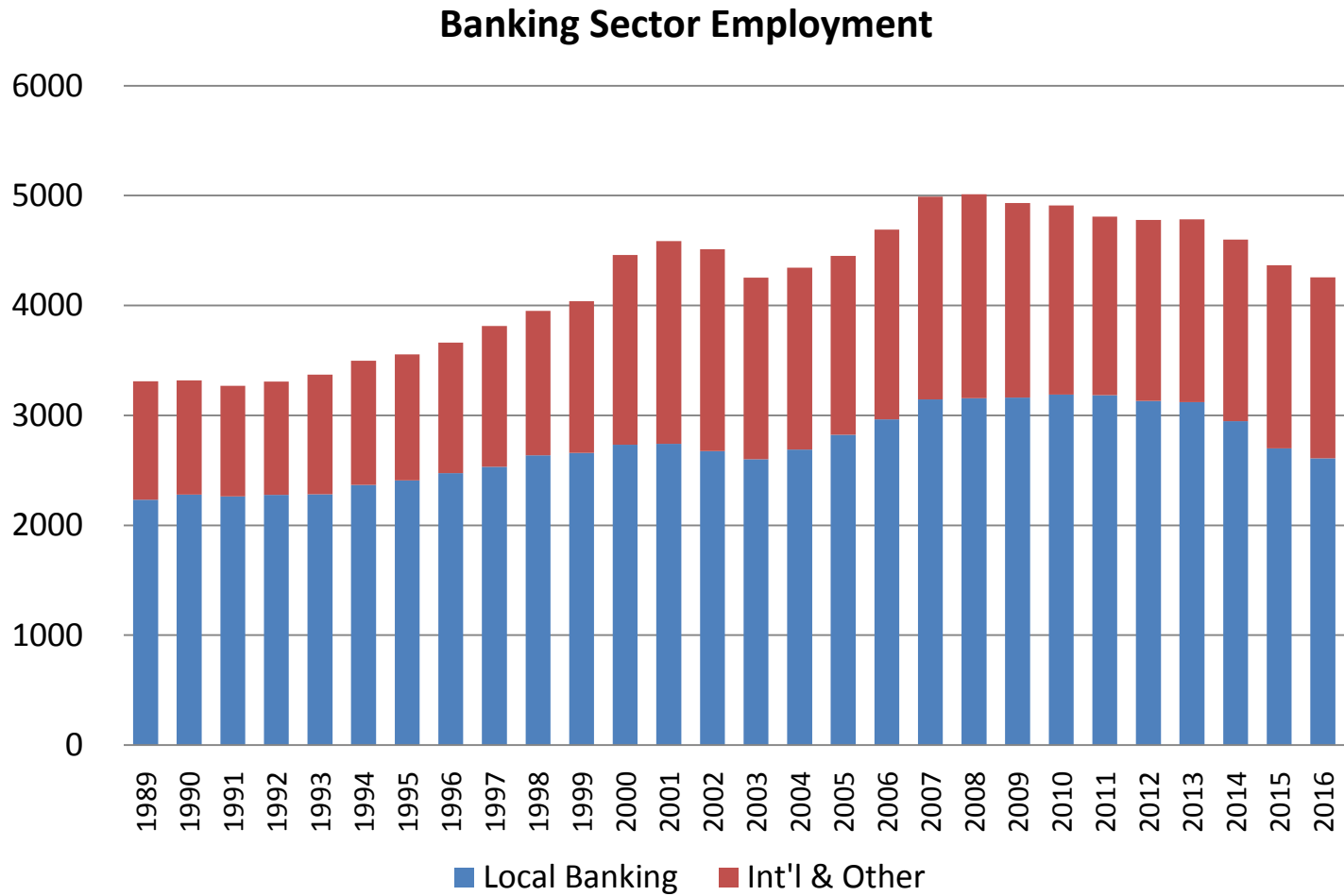
Source: The Central Bank of The Bahamas

Banking Sector: Public Licensees

Number of Public Banks & Trust Co's

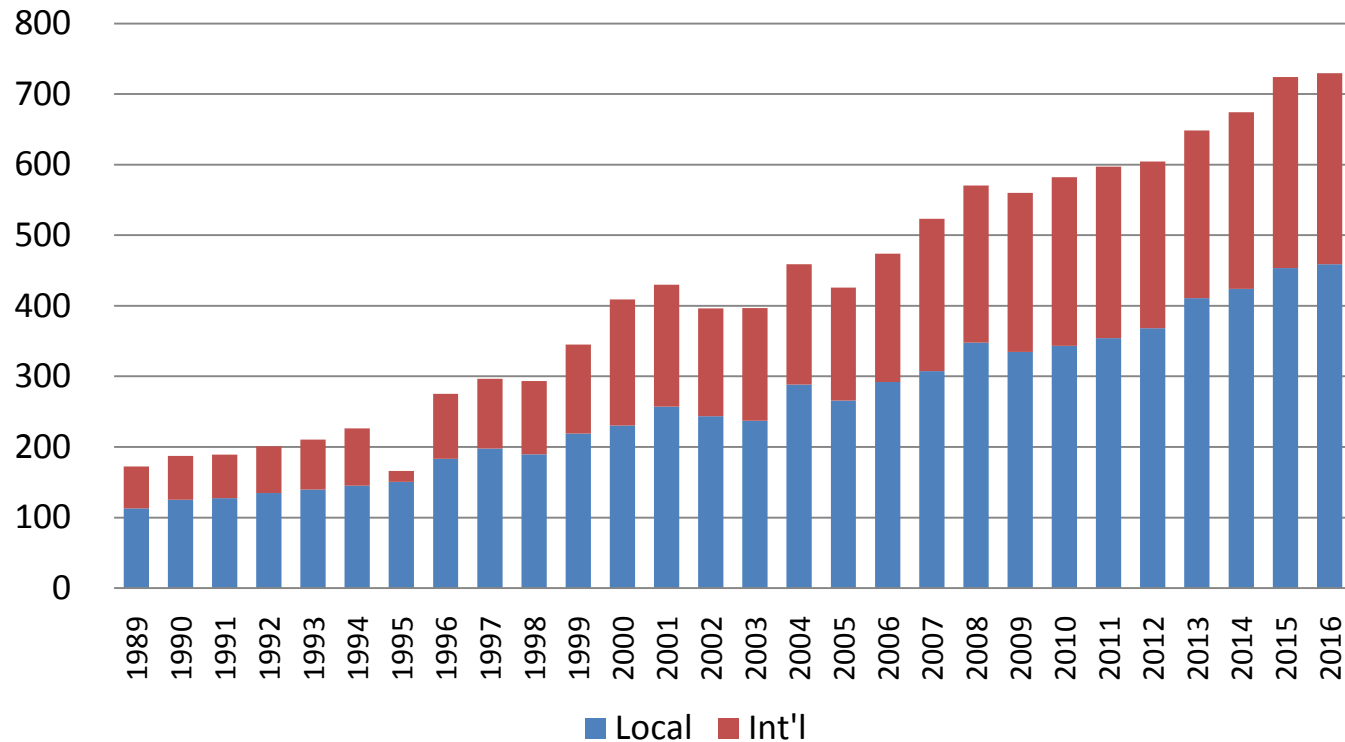


Banking Sector: Employment



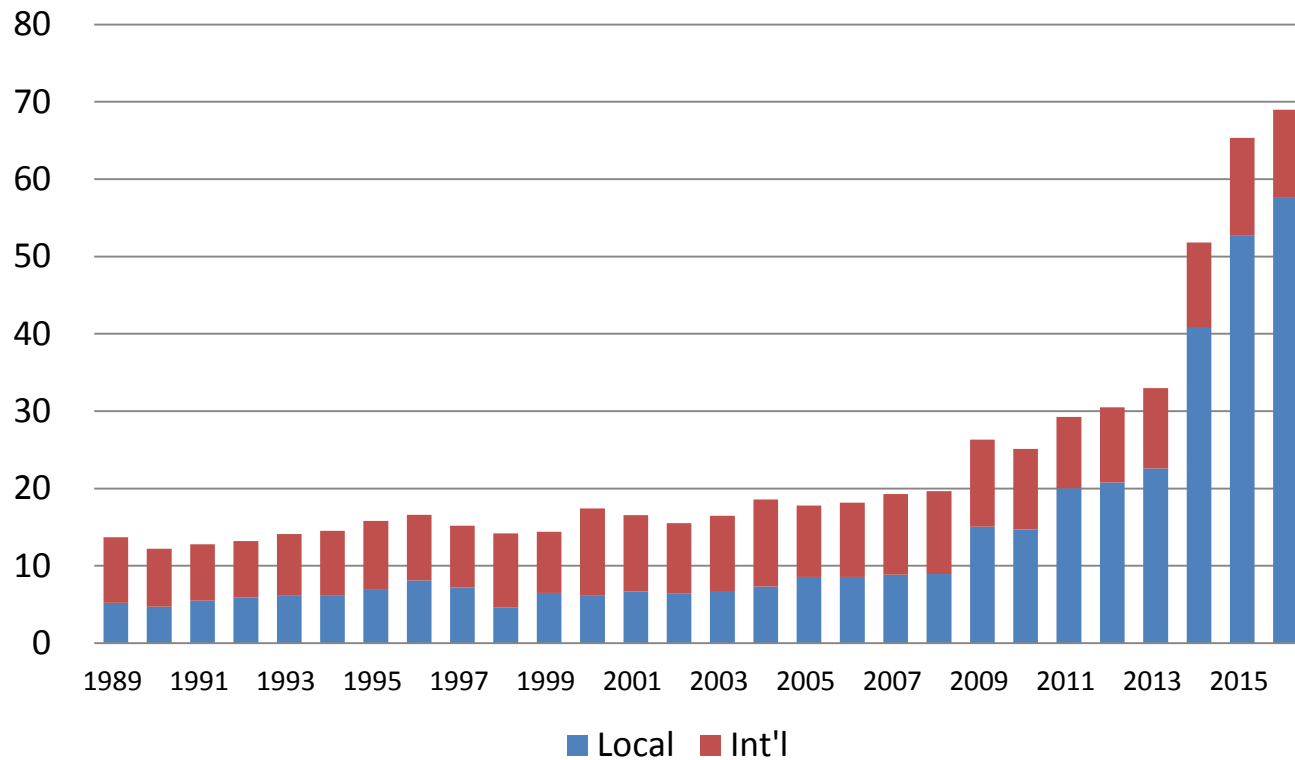
Banking Sector: Expenditure

Banking Sector Total Expenditure
(B\$M)



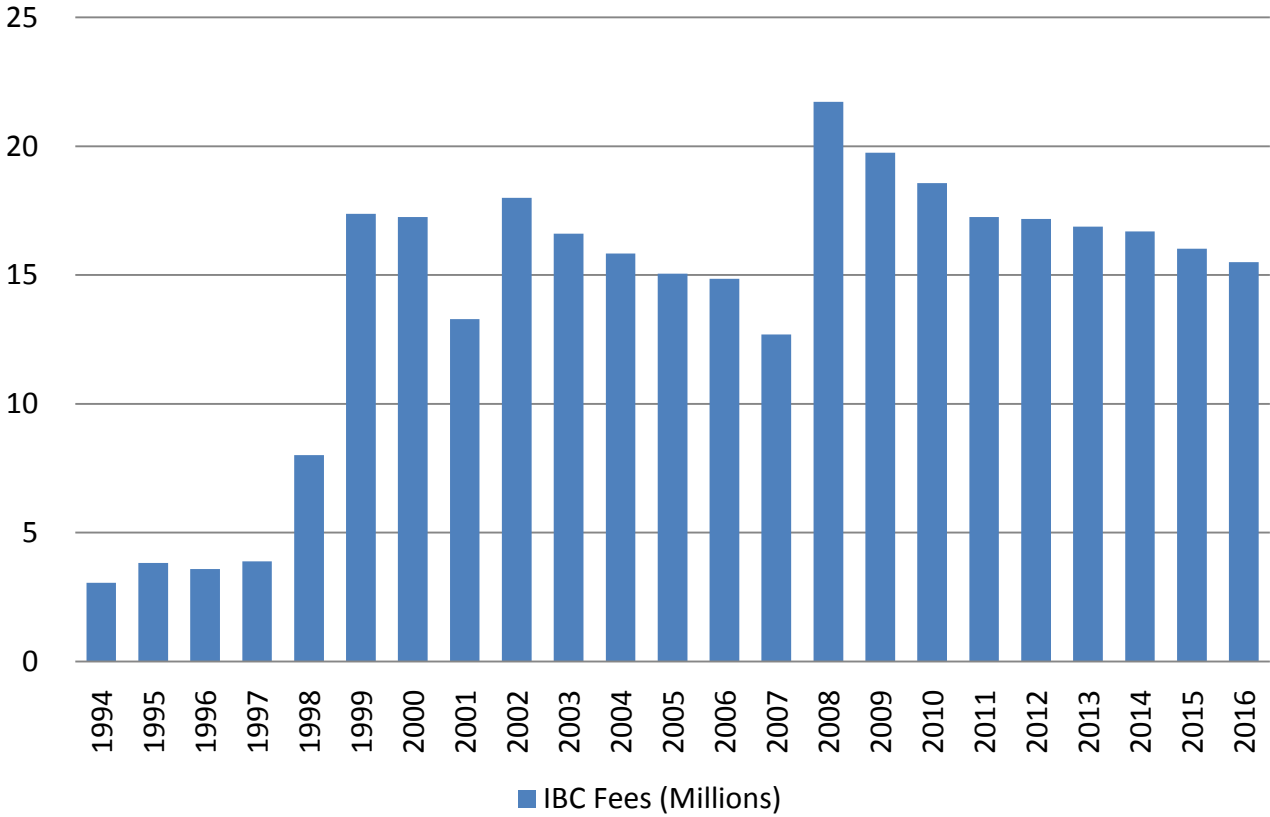
Banking Sector: Govt. Revenue Contribution

Govt. Fees Paid by Banks & Trust Co's
(B\$M)



Other Sectors: IBCs

Govt IBC Fees Collection
(B\$Mil)



Other Sectors

Other Selected Financial Sector Statistics

	Unit	2001	2009p	2015p
Investment Funds Administrations				
Licensed Mutual Funds	Number	673	788	885
Licensed Administrators	Number	58	64	66
Assets Under Mgt	<i>B\$ Billions</i>	94.5	189.6	134.6 *14
Insurance Companies and Agents				
	Number	147	174	148
Domestic Co's & Agents	Number	120	154	125
Dom. Assets	<i>B\$ Millions</i>	682.6	1,258.8	1,661.5 *14
Avg Ann Salaries	<i>B\$</i>	41,721	45,084	47,430
Operating Costs / Total Exp	<i>%</i>	96.9	94	94.2
External Insurers	Number	27	20	23
Credit Unions (Active)				
Number of Unions	Number	19	15	9
Total Assets	<i>B\$ Million</i>	120.4	233.6	370.6
Employment	<i>Number</i>	99	129	154
Avg Ann Salaries	<i>B\$</i>	20,339	27,099	4,386
Total Exp	<i>B\$ Million</i>	5.12	6.46	10.51
Operating Costs / Total Exp	<i>%</i>	89.9	95.5	92.8

Sources:

The Central Bank of The Bahamas, SCB, ICB

Our Strategic Plan (2016-2020)

- Prepare for IMF FSAP update in 2018 or soon afterwards
- Continued implementation of the risk-based supervisory framework (Basel II & III)
- Continue to strengthen AML/CFT regime (a collaborative effort across Bahamas regulators, including with outside TA)
- Strengthen the crisis management frameworks (various legislative reforms are being pursued)
- Achieve more timely & comprehensive follow-through on legislative reforms proposals

Our Strategic Plan

- Domestic: develop macro/micro prudential regulatory tools
- Domestic: promote financial inclusion; establish credit bureaux
- Monitor ongoing scope for regulation of new activities to minimise regulatory arbitrage and reduce reputational risks
- Tackle de-risking
- Improve crisis-management frameworks

Caribbean Central Banks & Correspondent Banking

- Situate responses in the context of initiatives of international standards setting bodies and multilateral agencies
- Intensify monitoring, data collection and analysis on de-risking
- Develop more jurisdiction/regional specific guidance on the management of correspondent banking relationships
- Build more regional capacity in AML/CFT effectiveness
- Identify cost effective approaches to strengthening AML/CFT compliance systems in respondent banks
- Accelerate the shift away from reliance on cash-based domestic transactions (and on correspondent bank-dependent international payments settlements)
- Strengthen regional mechanisms to remain influential & engaged in international regulatory initiatives affecting the correspondent banking landscape

Local Concern for the Central Bank

- De-risking of Bahamas' offshore licensees by local banks
 - Undermines access to settlements process for local expenses
 - Approach is needed to take account of clarity in FSB and FATF Guidance
- May require new banking models in the domestic space

The Financial Stability Board (FSB)

- FSB sponsors the Emerging Market and Developing Economies (EMDEs) Forum & Regional Consultative Groups (RGG)
 - Brings attention to unintended consequences of reforms within standards setting bodies on EMDEs, either because of spillover consequences or their voluntary adoption
 - Evidence/data driven in its approach
- Correspondent banking issues tackled through the FSB's Correspondent Banking Coordination Group (CBCG)
 - Evidence of fallout evident in both SWIFT data published by CPMI report and surveys done by FSB and others
 - Heavy emphasis on Guidance: **FATF Guidance on Correspondent Banking** (Oct 2016); **BCBS Sound management of risk related to money laundering and financing of terrorism** (Nov 2016), with risk based approach

The Financial Stability Board (FSB)

- Promote capacity building activities in adversely affected jurisdictions (maintains inventory of TA developed by the CBCG covering 140 countries)
- Develop mechanisms to build capacity
 - & help national authorities better communicate what they are doing within their AML/CFT frameworks
- Promote strengthening of tools for due diligence for correspondent banks
 - Committee on Payments and Market Infrastructures (CPMI) recommended a package of measures to improve due diligence frameworks such as KYC utilities, information sharing, use of LEI, improved information content in payment messages, etc.,

Other work of FSB and SSBs of relevance to EMDEs

- Financial inclusion
- FinTech & Digitalisation
 - Identifying financial stability relevance and how to regulate
 - IOSCO is spearheading work at regulatory issues and challenges in capital markets
- Definitional issues related to NPLs
- Corporate Governance
 - Designing frameworks to reduce misconduct risk (due diligence on hiring, responsibility mapping, governance culture); advocacy for compensation structures aligned with prudent risk taking

Conclusion

- Current challenges will require coordination and cooperation among all Bahamas regulators
- Jurisdiction has to stay visibly engaged with international standards setting bodies
- Central Bank will be guided by its strategic plan:
 - Help preserve and grow the international sector
 - Safeguard the stability of the domestic sector and promote innovation and access in retail services