

**THE BANKS AND TRUST COMPANIES
REGULATION ACT, 2000
(No. 38 of 2000)**

**THE BANKS AND TRUST COMPANIES
(LIQUIDITY MANAGEMENT) REGULATIONS, 2002**

The Governor of The Central Bank of The Bahamas in the exercise of the powers conferred on him by Section 20 of The Banks and Trust Companies Regulation Act, 2000 makes the following regulations-

1. These regulations may be cited as the Banks and Trust Companies (Liquidity Management) Regulations, 2002.

Internal Policies

2. Every licensee shall implement and maintain a liquidity management strategy that is appropriate for the operations of the licensee to ensure that it has sufficient liquidity to meet obligations as they fall due.

3. Every licensee shall adhere to its liquidity management strategy at all times and review it regularly (at least annually) to take account of changing operating circumstances.

4. Every licensee shall inform the Inspector immediately of any concerns it has about its current or future liquidity, as well as its plans to address these concerns.

Minimum Liquidity Ratio

5. Every licensee shall maintain a liquidity ratio of not less than twenty per centum.

6. Subject to regulation 5, for the purposes of calculating the liquidity ratio of a licensee, the Inspector may, by notice in writing to the licensee, require that the liquidity ratio of the licensee be calculated-

- (a) on either a consolidated or unconsolidated basis;
- or
- (b) both on a consolidated and unconsolidated basis.

Remedial Action

7. On becoming aware of a contravention of regulation 5, the licensee shall immediately notify the Inspector of that contravention and provide the Inspector with such particulars of that contravention in the manner prescribed by the Inspector.

8. Where a licensee contravenes regulation 5, the licensee and the Inspector shall enter into discussions for the purpose of determining what remedial action is required.

9. The Inspector may, by notice in writing served on the licensee, require the licensee to take such remedial action as the Inspector deems appropriate, for the purpose of having the licensee comply with regulation 5.

Penalty for Non-Compliance

10. Where the Governor is satisfied that a licensee is in breach of regulation 5, he may Order the licensee to pay a fine of up to \$5,000;

Provided that the Governor may, if he thinks fit, exempt a licensee from the provisions of this regulation.

Variation of Limits

11. The Inspector may, by notice in writing served on a licensee, vary the liquidity ratio specified in regulation 5 in relation to that licensee.

Definitions

12. (1) In these regulations –

“freely convertible foreign currency” means any foreign currency which at the time in question is in the opinion of the Central Bank a currency that is freely negotiable and transferable on international exchange markets at exchange rate margins consistent with the Articles of Agreement of the International Monetary Fund.

“Governor” means the Governor of the Central Bank of The Bahamas appointed under paragraph 1 of the Schedule to the Central Bank of The Bahamas Act, 2000;

“Inspector” means the office of Inspector of Banks and Trust Companies established under regulation 9 of The Banks and Trust Companies Regulation Act, 2000;

“liquid assets” means Cash including notes and coins held together with precious metal coins, which qualify as legal tender;

- Gold and silver bullion and other precious metals;
- Market Loans including:-
 - Balances with, and loans and advances to, banks located in The Bahamas or Zone A countries including correspondent or

clearing balances and committed facilities with residual maturity up to 90 days;

- Money at call and demand balances at banks located in The Bahamas or Zone A countries held in Bahamian dollars and/or freely convertible foreign currency;
- Negotiable paper issued by banks located in The Bahamas or Zone A countries including negotiable certificates of deposits, promissory notes and other negotiable paper;
- Bills including:-
 - Bills accepted by Bahamian or Zone A banks,
 - Public sector bills including treasury bills and notes and other negotiable paper issued by Bahamian or Zone A central governments and any other bills guaranteed/underwritten by Bahamian or Zone A central governments or any other bills that constitute an obligation of the Bahamian or a Zone A country central government.
- Marketable Bahamian or Zone A central government securities; and
- Any other asset designated for the purposes of these Regulations by the Inspector.

“liquidity” means the ability of a licensee to generate or obtain sufficient cash or its equivalent in a timely manner at a reasonable price to meet its commitments as they fall due;

“liquidity ratio” means the ratio of the sum of a licensee’s liquid assets (in all currencies)

expressed as a percentage of the sum of its third party deposits (in all currencies).

“money at call and demand balances at banks” means money at call and demand balances placed with a bank in the Bahamas or a Zone A country less money at call and demand balances received from that bank.

“Zone A countries” means Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, South Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States.

- (2) In these regulations “licensee” means any bank or trust company which is incorporated in The Bahamas and which holds a licence granted under section 4 of the Banks and Trust Companies Regulation Act, 2000.

Governor of the Central Bank of The Bahamas