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FOCUS chats with Mr. Charles Littrell - *Inspector of Banks & Trust Companies, Central Bank of The Bahamas*



responsible for understanding the financial and behavioural risks associated with our supervised financial institutions. When emerging or actual risks fall outside our tolerance, we take action designed to return the relevant institutions to a lower risk profile. Our approach is similar to other regulators, though prudential regulators tend to enjoy more freedom to engage with supervised institutions before any laws or regulations have been broken. In this sense, we are less like the police or a sports referee, and more like shepherds of a flock.

The Mandate

What are the key issues driving the evolution of banking supervision legislation globally?

On the prudential safety side, we are close to finishing 15 years of intensive rule-making, arising first from Basel II and IFRS introductions and amendments, and then from the regulatory reactions to the 2007—2009 financial crisis. We continue to deal with the long wave of international regulation on behavior, notably anti-money laundering, counter-terrorist financing, and the like. Our hope is that the volume of new international rules will now slow, which will give the Central Bank of the Bahamas breathing space in which to consider and where sensible rationalize our regulations and guidance material.

Focus is pleased to have interviewed the new Inspector of Banks and Trust Companies at the Central Bank of The Bahamas, Mr. Charles Littrell. A national of Australia, he leads the Bank Supervision Department and continues the Central Bank's financial sector supervisory capacity building program. We trust you will enjoy our brief visit with Mr. Littrell and his shared insights into the mandate he has been given and his role within the Bank.

The Role

What is the role of the Inspector of Banks and Trust Companies? How does it differ from the roles of other key regulators in the banking industry?

The Central Bank's Bank Supervision Department, led by the Inspector, is

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What are the strategic priorities for your department? How are these measures expected to improve the health and stability of the banking sector?

As we have necessarily built a more complex rules environment over the past 15 years, we have also built a more complicated operating environment. We are now looking to simplify not only our rule set but our operating procedures, which will improve response times to industry, and free up supervisory time for new priorities.

More attention to AML/CFT is high on the new priority list. Although we will continue to focus upon prudential safety, there will be more of a balance with reputational and behavioural supervision.

Ideally, we will achieve a regulatory and supervisory regime which is easier for the banking industry to understand and comply with.

Your mandate includes a charge to “maintain the Bank’s current transition to the latest international supervisory standards of the Basel Committee on Banking Supervision (Basel III).” Where do you expect to focus most of your time in respect of meeting this agenda?

Many of the remaining Basel Committee rules are more complex than is required for the Bahamian jurisdiction. We are likely to implement a local rules text that, while fully compliant with the Basel rules text, is appreciably simpler.

How vulnerable is our banking system today to the threats of money laundering and terrorist financing?

Every national banking system is vulnerable to these threats, including here in The Bahamas. The Central Bank

and other regulators, plus the Bahamian banking industry, devotes considerable resources to managing these threats. I expect that this jurisdiction’s reputation for managing AML/CFT risks will improve over the next few years—though in this area one can never declare victory.

What measures are being taken by the Central Bank against the threat posed by de-risking to correspondent banks in The Bahamas?

We are monitoring the issue, and encouraging local banks to maintain multiple correspondent banking relationships. De-risking is a global fact of life, and The Bahamas is clearly exposed to this risk. Our main response will be to ensure that The Bahamas is seen as a relatively low risk for AML/CFT exposure, which should encourage the major international banks to become somewhat more open to correspondent banking relationships here.

Where do you see the opportunities for the banking sector to grow?

This is more a question for the people who run the industry than for the regulator. We intend to pursue and maintain strategies that support a sound, compliant, competitive, and efficient Bahamian banking sector. This is a necessary but not complete foundation for industry growth.

How do regulators maintain a balance between the requirements for enhanced due diligence requirements and the necessity to maintain the ease of doing business in the jurisdiction?

With great difficulty. We are working with industry, and will likely increase this effort, to more clearly define acceptable and fully compliant processes, without

adding more cost than is necessary. But the global requirements in this area, and associated costs, will continue to increase.

How has the function of banking supervision changed worldwide since the global financial crisis of 2008?

The function hasn’t necessarily changed, but for many countries bordering the North Atlantic, the process has changed. The regulatory framework has become more conservative, and the supervision has become more intrusive. In this sense, American and European supervision now looks more like Asia/Pacific and Latin American supervision, which have in general not changed as much since the 2008 crisis. These regions learned from their 1990s crises, and those lessons proved highly valuable in 2008.

On A Personal Note...

What attracted you to this role here in The Bahamas?

It is an exciting professional challenge, my colleagues are a joy to work with, and The Bahamas is far from a hardship posting. 🇧🇸