

SUPERVISION PROFILE

EASTERN CARIBBEAN CENTRAL BANK (ECCB)

1. (a) SUPERVISORY AGENCY

Eastern Caribbean Central Bank (ECCB)

(b) CATEGORIES OF FINANCIAL INSTITUTIONS FOR WHICH IT HAS REGULATORY OVERSIGHT

The ECCB's regulatory oversight responsibilities include all commercial banks and Non-Bank Financial Institutions deemed to be carrying on banking business within the Eastern Caribbean Currency Union (ECCU) and licensed under the Banking Act.

2. NUMBER AND NAMES OF ENTITIES SUPERVISED IN EACH CATEGORY

COMMERCIAL BANKS

NAME OF INSTITUTION	LOCALLY INCORPORATED		FOREIGN INCORPORATED	DETAILS
	LOCALLY OWNED	FOREIGN OWNED		
ANGUILLA				
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
Caribbean Commercial Bank (Anguilla) Ltd	X			Private Company
National Bank of Anguilla Ltd	X			Public Company
Scotiabank Anguilla Ltd*		X		Subsidiary
ANTIGUA AND BARBUDA				
ABI Bank Ltd	X			Private Company
Antigua Commercial Bank	X			Public Company
Eastern Caribbean Amalgamated Bank	X			Private Company
Caribbean Union Bank Ltd	X			Private Company
Bank of Nova Scotia			X	Branch
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
RBTT Bank Caribbean Ltd**		X		Branch
RBC Royal Bank of Canada			X	Branch
DOMINICA				
Bank of Nova Scotia			X	Branch
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
National Bank of Dominica Ltd	X			Public Company
RBC Royal Bank of Canada			X	Branch
GRENADA				
Bank of Nova Scotia			X	Branch
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
Grenada Co-operative Bank	X			Public Company
Republic Bank (Grenada) Ltd		X		Public Company
RBTT Bank Grenada Ltd		X		Public Company
MONTSERRAT				
Bank of Montserrat Ltd	X			Public Company
RBC Royal Bank of Canada			X	Branch
ST KITTS AND NEVIS				
Bank of Nova Scotia			X	Branch
The Bank of Nevis Ltd	X			Public Company
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
RBTT Bank (SKN) Ltd		X		Public Company
RBTT Bank Caribbean Ltd**		X		Branch
RBC Royal Bank of Canada			X	Branch
St Kitts-Nevis-Anguilla National Bank Ltd	X			Public Company
SAINT LUCIA				
Bank of Nova Scotia			X	Branch
Bank of Saint Lucia Ltd***	X			Private Company
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
RBTT Bank Caribbean Ltd**		X		Branch
RBC Royal Bank of Canada			X	Branch
1st National Bank St Lucia Ltd	X			Public Company
ST VINCENT AND THE GRENADINES				
Bank of Nova Scotia			X	Branch
FirstCaribbean International Bank (Barbados) Ltd			X	Branch
Bank of St Vincent and the Grenadines Ltd	X			Company
RBTT Bank Caribbean Ltd**		X		Branch
	14	8	18	

*Wholly owned subsidiary of Scotia International Ltd, Bahamas which is wholly owned by Bank of Nova Scotia, Canada.

** RBTT Bank Caribbean Ltd is a wholly owned subsidiary of RBTT Financial Holdings Ltd, incorporated in Trinidad & Tobago

*** A wholly owned subsidiary of East Caribbean Financial Holding Company Ltd, a public company with Government interest of 29.1%.

NON-BANK FINANCIAL INSTITUTIONS

COUNTRY	FINANCE COMPANIES
Antigua and Barbuda	1. Finance and Development Co Ltd
Dominica	2. National Investment Corporation
Grenada	3. Grenada Finance Company 4. Caribbean Microfinance (Grenada) Ltd
St Kitts & Nevis	5. St Kitts Nevis Finance Co Ltd
Saint Lucia	6. FirstCaribbean International Finance Co 7. Sagicor Finance Corporation 8. Financial Investment and Consultancy Services Ltd. 9. Caribbean Microfinance Ltd
	MORTGAGE COMPANIES
Antigua and Barbuda	10. ACB Mortgage and Trust Co Ltd
Saint Lucia	11. St. Lucia Mortgage Finance Co Ltd 12. Capita Financial Services Ltd
St. Vincent & the Grenadines	13. St Vincent Co-operative Bank Ltd 14. First St Vincent Bank Ltd

3. PRUDENTIAL INFORMATION/DATA REQUIRED OF LICENSED INSTITUTIONS AND REPORTING INTERVALS

Commercial Banks

Prudential Information/Data	Name	Frequency
Statement of Liquidity		Daily
Statement of Reserves Position	BS7	Weekly
Monthly Statement of Assets and Liabilities	BS1	Monthly
Monthly Interbank Balances	BS1	Monthly
Statement showing Purchases of Foreign Currency	EC1	Monthly
Statement showing Sales of Foreign Currency	EC0	Monthly
Classification of Credit by Economic Activity	BS2	Quarterly
Deposits and Credit Classified by Interest Rate and Size	BS4	Quarterly
Supplementary Schedules	BS6	Quarterly
Statement of Income, Expenses and Profit and Loss Appropriation	BS3	Annually
Annual Classification of Loans and Advances	BS8	Annually
Monthly Statement of Payments System Activity	BS10	Monthly
Audited Financial Statements		Annually

The prudential returns submitted by commercial bank licensees were recently revised. The revisions were necessary to allow for a wide array of information and data that conforms to international reporting standards, and to ensure that the data submitted by the ECCB to the IMF are fully aligned with the Monetary and Financial Statistics Manual 2000. The revisions will also allow for the data submitted by the commercial banks to be internationally comparable.

The bank's data warehouse and data management system is also being replaced by a more user friendly and modern system. This would allow licensees to submit their prudential returns via a secured web server. The system would only accept the returns once all consistency checks within and across the reports are accurate. The software would also allow for data users to retrieve data easily and includes functionalities such as tables and charts in excel or word.

All banks are required to submit variance reports along with the monthly, quarterly and annual prudential returns. The parameters for reporting are as follows:

BS1 – MONTHLY STATEMENT OF ASSETS AND LIABILITIES (BALANCE SHEET)	
Balances	Reporting Criteria
All items except Item 7 (Capital Paid-up or Assigned), Item 9 (Reserves) and Item 10 (Undistributed Profits)	+/- \$1.0m and +/- 10.0 per cent. Variance must meet both criteria.
Capital Paid-up or Assigned, Reserves and Undistributed Profits	All variances
BS2 – CREDIT BY ECONOMIC SECTOR (QUARTERLY)	
Balances	Reporting Criteria
All items	+/- \$2.0m
BS3 – YEARLY STATEMENT OF INCOME, EXPENSES AND PROFIT & LOSS APPROPRIATION	
Balances	Reporting Criteria
All items	+/- \$1.0m or +/- 10.0 per cent
BS6 - SUPPLEMENTARY SCHEDULES (QUARTERLY)	
Balances	Reporting Criteria
Schedule 10 – all items	+/- \$1.0m or +/- 5.0 per cent
Schedule 12 – all days, all economic sectors.	+/- \$1.0m or +/- 5.0 per cent

Data/Information for Offsite Risk Focused Surveillance

ITEMS	FREQUENCY			
	QUARTERLY	ANNUALLY	AS THEY OCCUR	DEADLINE
MINUTES				
Minutes of Board of Directors Meetings and proposals for major policy decisions			X	within 14 days after the end of month in which the minutes were confirmed.
Minutes of Management Meetings			X	
Minutes of Audit Committee meetings			X	
Minutes of Loans Committee Meetings			X	
Minutes of Finance and/or Asset/Liability Committee (ALCO) Meetings			X	
FINANCIAL INFORMATION				
Budgets		X		within 14 days after the end of month in which it was approved by the board.
Management Accounts sent to Board of Directors	X			
AUDIT REPORTS/LETTERS				
Internal auditors/Own Inspectors reports			X	within 14 days after the end of month in which the document was presented to the board.
External Auditors Reports		X		
Letters of Engagement of External Auditors		X		
External Auditors Management Letters		X		
POLICIES, STRATEGIES, MANUALS				
Strategic Plans			X	within 14 days after the end of month in which the document was approved by the board.
Risk Management Strategies			X	
Funds Management Policies			X	
Loan Policies			X	
Business Continuity Plan			X	
Anti-money Laundering Procedures Manual			X	
Operations Manual			X	
Changes to all Policies and Procedures Manuals			X	
OTHER				
Changes in list of Directors			X	within 14 days after the end of month in which the change was effected.
Changes in Management and Senior Staff			X	
Statement of significant changes in ownership or shareholding			X	

4. PRUDENTIAL INFORMATION/DATA PUBLISHED BY SUPERVISORY AUTHORITY AND PUBLICATION INTERVALS

Prudential Information/Data	Frequency	Description
Commercial Bank Statistics	Monthly/Quarterly	Consolidated commercial banks' data by territory available on website.
Financial Statistics Yearbook	Annually	Annual and quarterly financial data.
Monetary Survey	Monthly	Consolidated ECCU data available on website.

5. PRINCIPAL PIECES OF LEGISLATION GOVERNING THE OPERATION OF BANKING/FINANCIAL LICENSEES (INCLUSIVE OF ANTI-MONEY LAUNDERING AND ANTI-TERRORISM STATUTES WHERE APPLICABLE)

Anguilla

Legislation

- Banking Act No 9 of 2005
- Eastern Caribbean Central Bank Agreement Act
 - Revised Statutes of Anguilla 2000 c. E5

Regulations

The following sites provide copies of the regulations in Anguilla:

- <http://www.fsc.org.ai/>
- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxweaga.htm>

Antigua & Barbuda

Legislation

- Banking Act No 14 of 2005
- Eastern Caribbean Central Bank Agreement Act
 - Amendment 17/1995

Regulations

The following sites provide copies of the regulations in Antigua and Barbuda:

- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxweaab.htm>
- <http://www.laws.gov.ag/acts/acts-abc.htm>

Dominica

Legislation

- Banking Act No 16 of 2005

- Eastern Caribbean Central Bank Agreement Act
 - Amendment 6/1994
 - Amendment 8/1996

Regulations

The following sites provide copies of the regulations in Dominica:

- <http://www.dominica.gov.dm/cms/index.php?q=node/892>
- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxwedma.htm>

Grenada

Legislation

- Banking Act, No.19 of 2005
- Eastern Caribbean Central Bank Agreement Act 1983
 - Amendment 14/1993

Regulations

The following sites list/provide copies of the regulations in Grenada:

- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxwegrn.htm>
- <http://www.garfingrenada.org>

Montserrat

Legislation

- Banking Act, No 2 of 2005
- East Caribbean Central Bank Ordinance 1983

Regulations

- Anti-terrorism(Financial and Other Measures), No 5 of 2003

The following sites provide copies of the regulations in Montserrat:

- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxwemsa.htm>
- <http://www.fscmontserrat.org>

St Kitts and Nevis

Legislation

- Banking Act, No 4 of 2004
- Eastern Caribbean Central Bank Agreement Act 1983
 - Amendment 4/1994

Regulations

The following sites provide copies of the regulations in St Kitts and Nevis:

- <http://www.fsckn/?q=node/69>
- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxweskn.htm>

Saint Lucia

Legislation

- Banking Act No 34 of 2006
- Eastern Caribbean Central Bank Agreement Act 1983
 - Amendment 13/1993

Regulations

The following site provides copies of the regulations in Saint Lucia:

- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxweslu.htm>

St Vincent and the Grenadines

Legislation

- Banking Act No 33 of 2006
- Eastern Caribbean Central Bank Agreement Act Cap 68
 - Amendment 2/1995

Regulations

The following sites provide copies of the regulations in St Vincent and the Grenadines:

- http://www.svgfiu.com/index.php?option=com_content&view=article&id=4&Itemid=7
- <http://www.lexadin.nl/wlg/legis/nofr/oeur/lxwestv.htm>

6. MAJOR CHANGES TO BANKING/FINANCIAL STATUTES AND DIRECTIVES OVER THE PAST TEN YEARS

New Banking Act

The revised Banking Act is uniformly in force in the eight member territories of the Eastern Caribbean Currency Union, although there are some minor differences in the structure and style of the Act. Amendments to the Banking Act were based in part on the *Basel Committee on Bank Supervision - 25 Core Principles for Effective Banking Supervision* and legislative gaps identified by the ECCB. Financial globalisation, the complexities of large conglomerates and the diversity of the products and services offered by financial institutions, have compelled regulators to adopt a more risk focused approach to supervision. The revised Banking Act addresses the need for effective, risk focused supervision of financial institutions to ensure the safety and soundness of the financial system. It has refined the overall regulatory regime and enhanced the powers of the ECCB to ensure that the regulation and supervision of the financial sector of the ECCU is continually enhanced and consistent with international best practices.

THE BANKING ACT IN MEMBER TERRITORIES

TERRITORY	NO	COMMENCEMENT DATE
Anguilla	No 9 of 2005	1 January 2006
Antigua and Barbuda	No 14 of 2005	1 January 2006
Commonwealth of Dominica	No 16 of 2005	31 March 2006

Grenada	No 19 of 2005	31 March 2006
Montserrat	No 2 of 2005	1 May 2005
St Kitts and Nevis	No 4 of 2004	4 November 2005
Saint Lucia	No 34 of 2006	1 April 2007
St Vincent and the Grenadines	No 33 of 2006	10 April 2007

The areas of the Banking Act where the amendments are most significant include the following:

- Licensing Authority
 - ECCB as sole licensing authority
 - Requirements to be satisfied in granting of a licence
 - Licences – Formalities
 - Revocation of licences
- Voting
- Financial Requirement and Limitations
 - Minimum paid-up or assigned capital
 - Maintenance of Reserve Fund
 - Adequacy of Capital
 - Restriction on Certain activities of licensed Financial Institutions and Affiliates
 - Lending Activities
 - Investment Activities
 - Credit Institutions and Financial Groups
- Audit, Information and Examination
 - Annual Audit, report and publication of financial statements and results
 - Central Bank Examination
 - Disclosure and access to books and records by Central Bank examiners for examination
- Provisions granting authority to the Central Bank to make arrangements with home supervisors of foreign financial institutions and host supervisors of local financial institutions that have established offices overseas for the sharing of information
- Central Bank Powers in Remedial Action
 - Declaration and registration of related interest and conflict of interest by directors

- Appointment of official administrator to resolve resolution troubled financial institutions.

Enforcement Action

The enforcement powers in the Banking Act were enhanced and a new *Ladder of Enforcement Action* was implemented to address any problems of persistent non-compliance by financial institutions. Enforcement action is as follows:

- Stage I - Letter of Commitment
- Stage II - Memorandum of Understanding
- Stage III - Written Warning
- Stage IV - Cease and Desist Order
- Stage V - Fixed Monetary Penalty
- Stage VI - Institute Legal Proceeding
- Stage VII - Restriction/Revocation of Licence

7. AREAS IDENTIFIED FOR FURTHER LEGISLATIVE CHANGES AND DETAILS/STATUS OF ANY NOW IN PROCESS

The Banking Act/legislation is being further strengthened and modernised with the intent to augment the ECCB's regulatory powers. Some of the major areas under consideration in its review are:

- i. The possibility of enhancing the ECCB's resolution powers; outside of their Emergency Powers, enhanced corporate governance requirements;
- ii. Re-examining the efficacy of tools; within the Act, that speak to the ECCB's powers on remedial action against problem banks (including expansion of the categories of activities for which penalties can be applied);

Banking (Capital Adequacy and Capital Ratios) Regulations which provide for the level and composition of capital and minimum capital ratios were forwarded to the Ministries of Finance for issue. To date the regulations have been issued in Montserrat, Dominica and Saint Lucia.

The Banking (Abandoned Property) Regulations were forwarded to the Ministries of Finance for issue. These regulations support Sections 60-64 of the Banking Act, which relate to the reporting, publication and disposal of abandoned property and requires every licensed financial institution to submit a report to the Central Bank, on the particulars of abandoned property. To date the regulations have been issued in Montserrat, Dominica and Saint Lucia.

Foreclosure Legislation - The ECCU Bankers' Association has taken the lead in lobbying for amendments in foreclosure legislation in member territories, particularly Saint Lucia and Dominica, to facilitate the easier disposal of real estate held as security/collateral.

A Committee on Foreclosure was established to consider the feasibility of the development of a uniform legislative framework for property and mortgages in the ECCU. The Committee is constituted as follows:

- Registrars (General/Land); St Kitts, Grenada, Saint Lucia;
- Attorney General-Montserrat;
- Financial Secretary-Dominica;
- A representative of the OECS Bar Association;
- A representative of the ECCU Bankers Association;
- A representative of the OECS Secretariat/Commission;
- World Bank Consultant.

The Committee is in the process of finalizing its report for submission to the Central

Financial Services Regulatory Legislation – ECCU member states have made strides in the enactment of financial legislation for the implementation of an integrated financial services regulatory framework. This initiative includes the development of a robust legislative framework which requires:

- (i) the enactment of legislation to establish and give legal authority to the institutional construct to supervise and regulate the non-bank financial institutions; and
- (ii) the enactment of legislation, and issuance of regulations and guidelines to govern the various sectors, including the money services businesses, the insurance industry, credit unions and building societies.

Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis and St Vincent and the Grenadines have passed the Cooperatives Societies Bill in their respective Parliaments, and all ECCU member territories have enacted legislation to establish their Single Regulatory Units. ECCU member states continue to pursue the implementation of a renewed action plan for the speedy completion of the integrated financial services regulatory framework.

8. FORMAL DIRECTIVES, POLICIES, GUIDELINES/GUIDANCE NOTES ISSUED BY SUPERVISORY AUTHORITY TO LICENSEES

<u>FORMAL DIRECTIVES</u>		
NOTICE NUMBER	DATE	SUBJECT
1	09 March 1984	Minimum Reserve Requirement
2	14 December 1984	Minimum Rate of Interest on Savings Deposit
3	19 April 1985	Effective Interest Rates
4	01 October 1985	Method of Computation of Interest on Savings Deposit
5	20 October 1987	Buying and Selling Rates of Foreign Currencies for Banks
6	10 August 1992	Commercial Banks Purchase of Foreign Currency Notes Amended Effective 03 October 1994
7	16 February 1994	Minimum Reserves to be maintained by Commercial Banks Amended Effective 28 June 1995
8	25 July 1996	Penalty on Reserve Requirement Shortfalls Effective 01 August 1996
9	02 September 2002	Minimum Rate of Interest on Savings Deposits

PRUDENTIAL GUIDELINES

The ECCB has issued the following guidelines to licensed financial institutions:

GUIDELINE	EFFECTIVE DATE
Administrative Guidelines Governing Establishment and Maintenance of Relationships with Shell Banks	29 January 2001
Controlling Risk in Correspondent Accounts	March 2001
Anti-Money Laundering Guidance Notes	May 2005
Guidelines on Corporate Governance	15 May 2006
Guidelines on Related Party Transactions	15 May 2006
Guidelines on Liquidity Risk Management	15 May 2006
Guidelines for Internal Auditing	15 January 2007
Guidelines for External Auditing	1 July 2008
Guidelines for Credit Risk Management	15 May 2009

The ECCB has also issued Prudential Credit Guidelines on:

- Loan Classification
- Provisioning
- Suspension of Interest
- Write-off Procedures
- Renegotiated Loans

These guidelines can be accessed on ECCB's website – www.eccb-centralbank.org.

Risk Weighting and Provisioning for Non Performing Public Sector Debt

Effective 31 December 2005, all institutions licensed under the Banking Act were required to uniformly apply risk weighting and loan loss provisioning to all borrowers. Accordingly, non-performing credit facilities of, and investments with, member governments of the ECCU should be risk weighted at 20.0 per cent for the computation of capital adequacy ratios. Loan loss provisions at the substandard level should be established for all non-performing government and government guaranteed facilities, that is, 10.0 per cent of the outstanding balance.

Tolerable Limit for Non-Performing Loans

The ECCB reduced its tolerable limit on the level of non-performing loans (NPLs) to total loans from 10.0 per cent to the international benchmark of 5.0 per cent, effective 31 December 2005. All banks with NPL ratios which exceeded the new tolerable limit were required to submit a plan of action to reduce NPLs.

Differences in Regulatory and Accounting Requirements for Loan Loss Provisioning

Licensees are to ensure that regulatory requirements are satisfied at all times. When the regulatory requirement for loan loss provisions exceeds provisions determined for accounting purposes, licensees are required to establish a special reserve for the amount by which the regulatory requirement exceeds that computed under the applicable accounting standard. This reserve shall be non-distributable and reported in tier II capital. When the loan loss provisions determined by the applicable accounting standards exceed the regulatory requirement, this level of provisions shall be reported.

Regulatory Reporting of Financial Assets Sold with Recourse

The ECCB has revised its reporting requirements for financial assets sold with recourse, as the requirement to report off-balance sheet financial assets sold with recourse did not adequately reflect (understated) the assets and liabilities of the reporting entity and the related risk. Licensees are now required to recognise financial assets sold with recourse on-balance sheet.

9. STATUS OF JURISDICTION VIS-A-VIS BASEL CORE PRINCIPLES OF BANKING SUPERVISION

The joint IMF/World Bank Financial Sector Assessment Programme was conducted in September 2003. The ECCB has implemented several measures to remedy the deficiencies identified in the FSAP. Amendments to the new Banking Act were based in part on the *Basel Committee on Bank Supervision - 25 Core Principles for Effective Banking Supervision* and legislative gaps identified by the ECCB.

The Bank is currently receiving assistance from CARTAC regarding a Basle Principles Self-Assessment.

10. JURISDICTION STATUS VIS-A-VIS FINANCIAL SECTOR ASSESSMENT PROGRAMME (FSAP)

See item 9.

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