GUIDELINE

LIQUIDITY REQUIREMENTS FOR LICENSED BANKS IN THE TURKS & CAICOS ISLANDS: MINIMUM HOLDINGS OF LIQUID ASSETS AND MINIMUM MISMATCH LIMITS

INTRODUCTION

1. This Guideline is issued by the Turks and Caicos Islands Financial Services Commission (Commission) pursuant to section 43 of the Financial Services Commission Ordinance 2007 and is intended to set out prudential standards for banks' management and control of their liquidity risk. It replaces previously issued guidelines of the same name and should be used in conjunction with the guideline entitled: *Banking Institutions: Principles for Liquidity Risk Management.*

2. The guideline requires the maintenance of a suitable inventory of high quality assets readily available for conversion to cash and managing of funding requirements through use of a maturity ladder approach. The guideline provides the detailed methodology for computing liquid assets, pursuant to section 28(2) of the Banking Ordinance and a definition of 'liquid assets' for the purposes of section 28(3) of the Ordinance. Section 28(4) of the Ordinance indicates that where a licensed bank fails to comply within such reasonable time as the Commission may appoint, with the requirements stipulated in section 28(1) of the Ordinance, it shall be liable to pay on being called upon to do so by the Commission, a penalty interest charge not exceeding one-tenth of one per centum of the amount of the deficiency for every day on which the deficiency continues. Additionally, the guideline provides clarification on the Commission's expectations of licensed banks with regard to the minimum mismatch limits to which they should maintain, together with the rules for calculating mismatches.

LIQUID ASSETS: STATUTORY MINIMUM REQUIREMENT

3. Section 28(1) of the Banking Ordinance requires licensed banks to maintain a minimum holding of liquid assets; this minimum was set by the Commission at 12% of total deposit liabilities (as defined at paragraph 5 below). Given the use of the US dollar as the official currency of the TCI, the Commission bases its assessment of liquid assets primarily on holdings denominated in US dollars. Where a bank wishes to bring into account holdings of high quality liquid assets denominated in major currencies other than the US dollar, it must seek the Commission's prior consent. Such consent is limited and will not normally exceed the value of a bank's non-US dollar liabilities.

4. Banks need to operate on a day-to-day basis at a higher level than the 12% minimum liquid ratio. This is to ensure their ability to satisfy the 12% requirement and ultimately have sufficient liquidity for the smooth running of their operations even under stress conditions. While generally, banks are required to report their liquidity position only as at the last day of each calendar month, the 12% limit is to be maintained throughout. The Commission may require more frequent reporting as deemed necessary. **Where a bank is concerned at any time that its liquidity position is threatened, it must alert the Commission as soon as it becomes aware of**

the situation, and must provide details of remedial action(s) being undertaken to avoid/correct the weaknesses.

5. Liquidity calculations must be based on the liquid assets and deposit liabilities of the licensed entity on a stand-alone basis or, in the case of an overseas bank, of the TCI branch, and are to include assets and liabilities in all currencies, using current market exchange rates. In exceptional cases, where liquidity is managed on a wider group basis, the Commission may seek reporting that extends beyond the stand-alone bank.

   Deposit liabilities are defined to include all monies placed with the bank, whether by natural persons or by incorporated or unincorporated bodies. Deposits representing claims by other entities within a group to which the deposit-holder belongs (including deposits made by Head Office in the case of a branch of a bank incorporated outside of the TCI) should be included alongside third party deposits in determining total deposit liabilities for this purpose.

   Deposits must be calculated on the same basis used for reporting customer deposits for statutory financial reporting purposes. All claims and liabilities must be reported on a gross basis for liquidity calculations, with no netting or off-setting of claims and debts, even where a legal right of set-off is believed to exist.

6. Having regard to Regulation 17 of the Banking Regulations (without prejudice to the generality of the liquid assets definition), the Commission is generally prepared to accept for the purposes of section 28 of the Banking Ordinance, liquid assets falling into the following categories:

   i) cash: holdings of US dollar bank-notes and coin;
   ii) cheques in process of collection which are denominated in US dollars;
   iii) operational balances: deposits and reserves which are denominated in US dollars and held with Central Banks in Zone A or FSC-approved countries[1];
   iv) Treasury bills and similar short-term instruments which are denominated in US dollars and issued by a government or central bank in a Zone A country;
   v) US dollar-denominated deposits placed on call or up to one month's notice at a bank licensed in TCI;
   vi) US dollar-denominated deposits placed on call or up to one month's notice at a bank licensed in a Zone A or FSC-approved country;
   vii) US dollar-denominated marketable securities issued and fully guaranteed by a government or central bank in a Zone A country, or similar securities issued by a public sector body in a Zone A country, provided they are fully guaranteed by the relevant government. Such securities must also be traded in deep and liquid markets, with assured rapid settlement on a delivery versus payment basis.

7. In the case of marketable securities, banks must apply standard discounts to current market value in recognition of potential market volatility and forced sale risk. Standard discount factors to be applied are as follows:

[1] Refer to the liquidity returns BSSR 12F for the list of countries classified as Zone A and FSC-approved.

i.	Zone A country central government/central bank and other central government guaranteed securities with less than 12 months to maturity	0%
ii.	Similar securities with less than 5 years' residual maturity	5%
iii.	Similar securities with 5 years' or more residual maturity	10%

Where assets are encumbered in any way, for example, where the bank has granted a charge in order to secure specific obligations, such assets must be wholly excluded from the liquidity stock calculation.

MATURITY MISMATCHES[2]

8. In addition to the minimum level of liquid assets that applies under the Banking Ordinance, the Commission views it as critical for banks to take a very cautious approach in managing their ongoing funding requirements. In addition, banks are required to match the maturity distribution of their actual assets and liabilities over prescribed time bands, deriving the accumulated net position. Banks are required to calculate and report two separate mismatch ladders: i) assets and liabilities denominated in US dollars; and ii) the US dollar equivalent of assets and liabilities denominated in currencies other than the US dollar. Where a bank has cash-flows in an individual currency other than the US dollar which are material in the context of its overall business, the Commission may require a separate maturity mismatch report for that currency. All non-US dollar items must be converted into US dollars at current market exchange rates.

9. Banks are required to allocate assets and liabilities to the time-bands based on a worst-case scenario, that is, assets must be recorded at their latest maturity and liabilities at their earliest maturity. Assets are to be recorded net of any specific provisions held against them. Overdue and non-performing assets must be placed in the most remote time-band in the ladder for liquidity reporting purposes. **Given the importance for banks to manage their short-term positions prudently and the absence of an interbank market and/or 'lender of last resort' facilities, the Commission requires banks to operate with a view to maintaining a flat position i.e. 0% mismatches for the position out to one month. The 0% mismatch positon out to one month is to be maintained for the two mismatch ladders i.e. for US dollar and non-US dollar positions.**

10. The Commission recognises that certain types of transactions do not in practice behave in accordance with their contractual terms. To reflect these characteristics, banks are permitted to include certain behavioural adjustments in allocating cash-flows to particular time-bands, as detailed in paragraph 11 below. The 0% mismatch requirement applies to net mismatches after any agreed behavioural adjustments. Where a bank anticipates that it will fail to maintain the 0% mismatch requirement out to one month, it should alert the Commission immediately and confirm its plans for rectifying the situation.

[2] Refer to Appendix 3 – The Liquidity Returns BSSR 12

11. **The behavioural adjustments that may apply are as follows:**

(a) A portion of deposit liabilities may be excluded from the ‘next day’/ ‘up to 8 days’ time-band, reflecting the inherent 'stickiness' of such deposits.

i. A minimum run-off rate of 10% is to be applied to retail deposits i.e. all deposits placed with the bank by a natural person.

ii. A minimum run-off rate of 10% is to be applied to unsecured wholesale demand and term deposits held by small business customers[3].

iii. A minimum run-off rate of 25% is to be applied to operational deposits generated by clearing, custody and cash management activities. (*Please see Appendix 1 for qualifying activities re custody and cash management.*)

iv. A minimum run-off rate of 50% is to be applied to *secured funding transactions*. Secured funding refers to those liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution. All other secured funding transactions are subject to a 100% run-off rate.

v. A 100% run-off rate is to be applied to wholesale deposits placed by other legal entities, excluding deposits refer to at 11(a)(ii) above.

In the context of the guideline, wholesale deposits are those placed with the bank by legal entities including sole proprietorships, partnerships and financial services businesses.

Banks seeking to take advantage of the exclusions above must seek specific prior approval from the Commission for the portion of such deposits they intend to exclude, providing evidence of their balances.

(b) For marketable securities, the treatment is to include such items in the next day/up to 8 days’ time-band at a discount on the current market values.

i. Government securities, qualifying for treatment as marketable for the purposes of paragraph 6 above, may be included within the shortest time-bands in the maturity ladder, subject to the discount factors set out in paragraph 7.

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[3] In this context, the term “small business” is meant to apply to businesses which are privately owned and operated and which meet both of the following general criteria:

(i) Total annual revenues/receipts less than $500K
(ii) Fewer than 10 employees.

This definition excludes holders of a regulatory licence from the Commission and other financial services businesses.

Notwithstanding the foregoing, a bank may make written application to the Commission to consider other relevant criteria for inclusion of a business, or set of businesses within the ‘small business’ category.

ii. Corporate securities are subject to the following conditions:
- denominated in USD.
- deemed highly marketable, being traded on large, deep and active repo or liquid markets with assured rapid settlement on delivery versus payment basis.
- Rated by an international credit rating agencies such as Standard and Poor and/ or Moody's with credit rating of 'A' and above with a Positive or Stable outlook.
- Issued by corporations headquartered in a Zone A and/or FSC approved Country.
- Current market value is subject to a discount factor at a minimum of 30%.
- Maturity date within five years of the reporting date.

All other securities should be recorded in the ladder according to their final maturity dates. All pledged securities and any securities known to be of doubtful/uncertain value will not qualify for the marketable securities treatment and should be allocated to time-bands reflecting, as appropriate, expiry of the pledge or eventual maturity.

(c) Any overdraft facilities granted by the bank to customers which are nominally payable on demand cannot generally be regarded as a reliable source of short-term liquidity and must be relegated to the '1-3 months' time-band, unless otherwise agreed with the Commission in advance.

(d) Where a bank has entered into a commitment to make funds available on an unspecified future date, 25% of the total commitment should be allocated to the 'Up to 8 days' time-band.

LIQUIDITY RISK MANAGEMENT

12. All banks operating in the TCI are required to put appropriate liquidity risk management frameworks in place to enable systematic measurement and management of liquidity risk. Where a bank is a branch or subsidiary of a regional or international group for which liquidity is centrally managed, the bank must clearly demonstrate to the Commission's satisfaction, that there is frequent, adequate and <u>specific</u> monitoring of its TCI operations. Liquidity risk within the TCI operations must be monitored and assessed on an ongoing basis by dedicated personnel (who may or may not be resident in the TCI). Such ongoing monitoring should include but not be limited to stress testing and cash flow forecasting of the TCI books, and analysis of the behaviour of TCI deposits. In addition, branches and subsidiaries are required to provide evidence of specific contingency funding arrangements to cover the TCI operations.

Note that the concessionary treatments for behavioural adjustment at paragraph 11 above are minimum rates that are only allowed under normal market conditions. Banks are expected to increase the run-off rates to reflect any above normal deposit movement based on their on-going assessment of the liquidity risk, during market stresses or arising from specific

depositors' behaviour.

In addition, the behavioural and concessionary treatments outlined at paragraph 11, will only be approved for use by banks where the Commission is satisfied that their liquidity risk management frameworks are adequate to capture, monitor and assess their risk appetites, tolerances and exposure.

<u>Most recently revised: 06 October 2017</u>

TURKS & CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

Operational Deposits Generated by Custody and Cash Management Activities

Qualifying activities in this context refer to clearing, custody or cash management activities that meet the following criteria:

1. The customer is reliant on the bank to perform these services as an independent third party intermediary in order to fulfil its normal banking activities over the next 30 days. For example, this condition would not be met if the bank is aware that the customer has adequate back-up arrangements.
2. These services must be provided under a legally binding agreement to institutional customers.
3. The termination of such agreements shall be subject either to a notice period of at least 30 days or significant switching costs (such as those related to transaction, information technology, early termination or legal costs) to be borne by the customer if the operational deposits are moved before 30 days.

Qualifying operational deposits generated by such an activity are ones where:

1. The deposits are by-products of the underlying services provided by the bank and not sought out in the wholesale market in the sole interest of offering interest income.
2. The deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer (not limited to paying market interest rates) to leave any excess funds on these accounts.

APPENDIX 2

TURKS & CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

GUIDANCE NOTES

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12

INSTRUCTIONS

Based upon the requirements of the revised liquidity guideline, "Liquidity Requirements for Licensed Banks in the Turks and Caicos Islands: Minimum Holdings of Liquid Assets and Minimum Mismatch Limits", this document provides detailed instructions for completing the Banking Supervisory Supplementary Returns 12Ai, 12Aii, 12B, 12C, 12D and 12E (Liquidity Returns). An overview of the information provided in Supplementary Return 12F is also included.

These instructions must be read in conjunction with the Guideline and the Liquidity Return template.

General

i. Liquidity mismatches are calculated and reported separately for (a) all US dollar-denominated flows and (b) the total of all flows denominated in currencies other than the US dollar. Exceptionally, where a bank has material flows[1] denominated in a specific currency that is not the US dollar, the Financial Services Commission (Commission) may require separate reporting of the position in that currency. All balances are to be reported in US$ '000s. Foreign currencies should be converted to US dollars at the closing mid or spot price on the reporting date.

ii. Other than where expressly stated, references to maturity refer to residual maturity, calculated from the relevant reporting date.

iii. The Commission sees it as critical for banks to assess liquidity on a very prudent basis. Accordingly, for the purposes of this analysis, cash outflows should be assumed to occur at their earliest contractual maturity, while cash inflows should be assumed to occur at their latest contractual maturity. For deposit liabilities, the earliest repayment date means the first roll-over date or the shortest period of notice required to call or exercise a break clause, where applicable. Loans made by the reporting bank are to be entered according to their final maturity dates.

iv. All claims and liabilities must be reported gross for liquidity purposes. That is, banks are not permitted to net or off-set claims on counterparties against debts owed to these counterparties or groups of counterparties, even where a legal right of set-off may exist. Where the maturity of the claims and related debts fall within the same time-band, the claims and debts will automatically net out in calculating the net mismatch for the particular time-band.

v. Notwithstanding the position at iv above, where a specific provision is held against a particular asset, the reported value must be net of the specific provision while General

[1]Five (5) percent or more of total assets.

provisions are to be deducted from loan values in the 'Over 5 years' maturity bucket.

vi. Where assets or other items giving rise to cash flows are overdue, non-performing, poorly performing or where there is reasonable doubt about the likelihood of receipt of related inflows, these cash flows should be relegated to the 'Over 5 Years' time-band.

vii. Banks need to ensure that they report cash-flows relating to off-balance sheet items. Assets sold forward will continue to be recorded as held until the date of the forward sale, with the inflow of the cash and release of the asset shown at the residual maturity of the deal. Similar treatment applies to repos, reverse repos and stock borrowing/lending transactions. Swaps, futures and forward rate agreements (FRAs) should be reported according to the cash-flows that they are expected to generate.

viii. Certain defined categories of high quality marketable assets can qualify for concessionary treatment both in calculating mismatches in Return 12Ai and 12Aii and for the purpose of liquidity stock in Return 12B. Qualifying marketable securities will be subject to a discount to reflect potential market volatility and forced sale risk. Please see Memoranda Item A1 below, as well as the accompanying Guideline for qualifying marketable securities and discounts to be applied. **Banks seeking to take advantage of this concessionary treatment must report their relevant holdings to the Commission and seek its prior approval for this adjustment.**

I. Supplementary Return 12A

Banks should complete Supplementary Return 12A in two versions, as necessary. The first 12Ai, records inflows and outflows denominated in US dollars. The second 12Aii, captures all flows that are denominated in currencies other than the US dollar, except in particular cases where the Commission has indicated that a bank is to make a separate mismatch report in respect of a specific currency. Each asset and liability item must be allocated to one of the maturity time-bands, as appropriate, having regard to its residual maturity.

Lines in Returns 12Ai and 12Aii

Line 1 - Cash should be reported in the 'Next day' time-band; and cheques in process of collection in the 'Up to 8 days' band.

Line 2 - Balances which are 'on call' should be placed in the 'Next day' band unless the reporting bank has any concern regarding their immediate availability when called.

Lines 3 & 4 - Report any operational or other balances held with overseas central banks within lines 3 (a) or (b) as appropriate. In the case of balances due from overseas, consideration must be given to differences in time zone or relevant factors which may affect the receipt of funds to determine their eventual availability to the reporting bank.

Line 5 - Total loan assets are to be categorized as loans, overdrafts and credit card receivables, and further sub-divided between lending to residents and non-residents. Loans and advances are to be reported net of specific provisions. General provisions are to be deducted from loan values in the 'Over 5 years' maturity bucket.

As directed in (vi) above, loans and advances which are overdue (i.e. having passed their maturity date or where the counterparty has failed to repay called funds on a timely basis) must be relegated to the longest time-band, 'Over 5 years'. The same applies to any arrears in respect of facilities, which have not yet reached their maturity date. In such cases, the amount of the arrears should be excluded from the amount of the facility, in order to avoid double-counting. Any facility where the reporting bank has reasonable grounds for doubting that funds will be paid on a timely basis should similarly be relegated to the 'Over 5 years' time-band.

In reporting credit card inflows, reporting banks should assume that they will receive only the minimum monthly repayments due from customers under their respective credit card agreements. Excess balances should be reported in the ‘1–3 months’ time-band.

Line 6 - Except as detailed below, Investments should be reported according to their fixed maturity schedules; securities without a fixed repayment date should be allocated to the longest time-band, 'Over 5 years'. However, where a bank holds certain very high quality marketable securities, these specific holdings may qualify for behavioural adjustments *(For further details see line 15 and Memorandum item A1).*

Line 7 - Report any other on- or off-balance sheet items expected to generate cash inflows but not identified in 1-6 above. In addition to items such as fees, commissions or other income receivable, banks should include the impact of certain contingent items, as well as the effect of repo and derivatives transactions (see paragraph vii above).

Line 8 - Demand deposits should be reported in the 'next day' maturity bucket; the same applies to savings deposits, other than where such balances are expressly not available on demand. Deposits should be entered in the time-band which corresponds to the minimum withdrawal notice required.

Lines 9, 10 & 11 - Report all balances due to financial and non-financial institutions within and outside the TCI in their respective categories.

Line 12 - Report accrued interest and other known cash outflows within the appropriate time-bands. Accrued interest on demand deposits and no-notice savings accounts should be reported as 'Next day', and interest on time deposits apportioned to relevant time-bands. On this line, also report any undrawn commitments to lend, where a firm draw-down date is known. The full amount of the commitment for the draw-down date should be entered in the appropriate time-band. In the case of any such commitments to lend which do not have firm draw-down dates, the treatment is for 25% only of the total to be taken into account as a behavioural adjustment. (See line 15 and Memorandum item A5).

Line 13 - The unadjusted liquidity mismatches represent the differences between the Total Assets and Total Liabilities lines in the spreadsheet – i.e. lines 1-7 **less** lines 8-12.

Line 14 - The cumulative mismatch calculation for each column includes the unadjusted liquidity mismatch totals for all shorter time-bands.

Line 15 - Section A of the Memorandum Items schedule (see notes below) provides an analysis of certain adjustments which may apply to the shorter time bands of the Liquidity Mismatch calculation, reflecting reasonable assumptions about the normal behaviour of particular items. The total adjustments to this line will be recorded, as either changes to assets or to liabilities, as appropriate and are **populated automatically** from the data provided under memorandum items on the return worksheets (12Ai/12Aii).

Line 16 - In accordance with paragraph 9 of the liquidity guideline, **banks are expected to operate with a minimum of 0% (or positive) mismatch out to 1 month, after behavioural adjustments**. This minimum level is to be maintained individually for each of the two mismatch ladders, that is, for the total US dollar and non-US dollar items. This line item is also populated automatically from the data provided under memorandum items on the return worksheets (12Ai/12Aii).

MEMORANDUM ITEMS

Two of the adjustments (A3 and A5) are mandatory. The other adjustments (A1, A2 and A4) are concessionary and banks must seek the prior approval of the Commission for the treatment they wish to apply. Banks must provide all relevant supporting documentation when seeking the Commission's approval to apply any of the concessionary behavioural adjustments.

A1 - Enter here the gross current market value of marketable securities approved by the Commission for behavioural adjustment. Enter also the total discounted value i.e. the figure that will be applied in adjusting the asset total. Relevant marketable assets will be reported either in the 'Next day' or more normally in the 'Up to 8 days' time-band (reflecting the specific settlement periods involved in trading them).

This treatment is only relevant for:

i. marketable instruments issued or guaranteed by a Government or central bank in a Zone A country. Moreover, in order to qualify, the relevant securities must be traded in a deep and liquid market, with assured rapid settlement of trades on a delivery versus payment (DvP) basis. Qualifying securities are subject to a standard discount of 5% of their market value where they have a residual maturity of between 12 months and 5 years; and to a discount of 10% where the residual maturity exceeds 5 years.
ii. Corporate securities that are highly marketable, denominated in USD, traded in a deep and liquid market, rated by international credit rating agencies with credit ratings of 'A' and above, with a positive or stable outlook. These qualifying corporate securities are subject to a discount of 30%.

(Refer to the Guideline for further details)

A2 - Enter the amount of any asset concession that has been granted by the Commission that does not fall into the other categories.

A3 - Enter the total of overdrafts granted by the bank to customers **which are nominally repayable on demand**. Such items will be excluded from short-term assets through this adjustment and included in the 1-3 months maturity bucket, reflecting the fact that they are unlikely to be repaid immediately if called.

A4 - Enter in the 'next-day' maturity bucket the portion of deposits that was assessed as stable out to one month. The behavioural adjustment should be reported in the <u>approved amount line.</u> This adjustment permits banks to ignore a portion of deposit liabilities in recognition of their historically-demonstrated "stickiness". A breakdown of the deposit liabilities for behavioural treatment must be provided in worksheet 12D.

Note that the Commission will only approve use of behavioural adjustments where it is satisfied that the systems and methods in place to manage liquidity risk are sufficient to measure and monitor the level of risk, and are commensurate with the scale, size and risk appetite of the bank.

A5 - Enter in the 'Up to 8 days' time-band, 25% of any undrawn commitments to make funds available to customers, which the bank has entered into but where the date of draw-down of funds is unknown. A prudent assumption is that 25% of the total may be called from the bank during the next month, and this amount is added to shorter term liabilities through the behavioural adjustment. The remaining 75% of such undated commitments is not considered in analysing short-term liquidity.

B1- 4 - The information in this section relates to total indebtedness between the licensed bank and all other entities within the financial group to which it belongs, including with parent company (and with Head Office, in the case of branches). Please distinguish between amounts due to/from parent company/Head Office (lines B1 and B3), and other entities within the group (B2 and B4). Banks are also required to distinguish between US dollar denominated items and non-US dollar denominated items, using Returns 12Ai and 12Aii, as appropriate.

II. Supplementary Return 12B

Lines in Return 12B

Line 1 - Enter total deposit liabilities. Deposit liabilities include **all** monies placed with the bank, whether by natural persons, or by incorporated or unincorporated bodies. All **connected deposits** from other group entities (and, in the case of branches, from head office) are to be included, together with all third party deposits. Therefore, a bank's deposit liabilities represent the totals of lines 8-11, aggregating Supplementary Return 12Ai and 12Aii. This is populated automatically in the spreadsheet.

The Banking Ordinance requires banks to hold specified liquid assets amounting to at least 12% of total deposit liabilities.

Items qualifying as high quality liquid assets in lines 2-8 below must be denominated in US dollars, **other than where the prior approval of the Commission was received for the inclusion of items denominated in another major currency**.

Line 2 - Enter the total figure reported in line 1 of Supplementary Return 12Ai

Line 3 - Enter any amounts from line 3(a) of Supplementary Return 12Ai which comprise deposits held with central banks of Zone A countries or of a FSC-approved country (populated automatically).

Line 4 - Enter any amounts within line 6a of Supplementary Return 12Ai which comprise US Treasury Bills or other US dollar-denominated short term instruments issued by other Zone A

Governments or central banks.

Line 5 - Enter any balances held with financial institutions in the TCI (line 2 of Supplementary Return 12Ai) where the contractual maturities bring them within the time-bands up to 1 month (populated automatically).

Line 6 - Enter any balances held with banks in Zone A and FSC-approved countries reported in line 3(b) of Supplementary Return 12Ai, where the contractual maturities bring them within the time-bands up to 1 month (populated automatically).

Lines 7 and 8 - Enter the gross market values and discounted values of marketable securities approved by the Commission as qualifying as high quality liquidity. The total of lines 7 and 8 should equal Memorandum item A1 of Supplementary Returns 12Ai.

Line 9 - The total of lines 2-8 inclusive should be equal to or exceed 12% of Deposit Liabilities as calculated in line 1.

III. Supplementary Return 12C

Report the USD equivalent of all non-USD denominated assets (line 1- 8) and liabilities (lines 10 - 14). Report the USD exchange rate in line 17 for each non-USD currency reported.

IV. Supplementary Return 12D

Banks are to provide a breakdown of its deposits liabilities as per Memorandum Item A4 above.

V. Supplementary Return 12E

Banks are required to provide details on its marketable securities (government and corporate) that may qualify for concessionary treatments as per Memorandum Item A1.

VI. Supplementary Return 12F

Banks should be guided by the list of Zone A and FSC approved countries when completing the returns 12A (I & II) and 12B. Prior approval is required for the inclusion of liquid assets that are held in a country that is not listed in a Zone A or FSC approved country.

Most recently revised: October 6, 2017

TURKS & CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

BANKING SUPERVISORY SUPPLEMENTARY RETURNS (BSSR)

Month Ending **Name of Bank**

		Completed Schedules	Number of Inconsistent Items
BSSR	Liquidity Analysis	✔	0

Reference

Prepared by: (Full name)

Reviewed by: (Full name)

Telephone (include extension where applicable)

Telephone (include extension where applicable)

E-mail address:

E-mail address:

Submission Deadline	**21 Days After the Reporting Month**

I certify that the data reported herein is accurate and has been prepared from the accounting and other records of the bank in accordance with the Banking Ordinance

Place bank stamp here

Manager/Country Head

Name in Block Letters

Signature

		Month Ending	January-00

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12 A(I)

LIQUIDITY ANALYSIS

US $'000	Total	Next Day	Up to 8 days	8 days - 1 month	Over 1 month to 3 mths	Over 3 months to 6 mths	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
US DOLLAR DENOMINATED ASSETS										
1. Cash and Cheques in the Process of Collection	0.0									
2. Balances Due from Financial Institutions in the TCI	0.0									
3. Balances Due from Banks Outside the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries - Central Banks	*0.0*									
- b) Zone A & FSC Approved Countries - Banks	*0.0*									
- c) Other Banks and Central Banks	*0.0*									
4. Balances Due from Non-Bank Financial Institutions Outside the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries	*0.0*									
- b) Other	*0.0*									
5. Loan Assets -	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- Loans to Residents	*0.0*									
- Loans to Non-Residents	*0.0*									
- Overdrafts (non-residents)	*0.0*									
- Overdrafts (residents)	*0.0*									
- Credit Card Receivables (residents)	*0.0*									
- Credit Card Receivables (non-residents)	*0.0*									
6. Investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
a) Zone A Government Securities	*0.0*									
b) Other	*0.0*									
7. All Other Assets	0.0									
TOTAL US DOLLAR-DENOMINATED ASSETS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
US DOLLAR-DENOMINATED LIABILITIES										
8. Customer Deposit Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
-Residents	*0.0*									
-Non-Residents	*0.0*									
9. Balances Due to Financial Institutions in the TCI	0.0									
10. Balances Due to Banks Outside the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries	*0.0*									
- b) Other	*0.0*									
11. Balance Due to Non-Bank Financial Institutions in the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries	*0.0*									
- b) Other	*0.0*									
12. All Other Liabilities	0.0									
TOTAL US DOLLAR-DENOMINATED LIABILITIES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
13. Liquidity Mismatch (unadjusted)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
14. Cumulative Mismatch	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
15. Approved Behavorial Adjustments:		**0.0**	**0.0**	**0.0**						
- Net Changes to Assets		*0.0*	*0.0*	*0.0*						
- Net Changes to Liabilities		*0.0*	*0.0*	*0.0*						
16. Adjusted Mismatch Positions to 1 month	**0.0**	**0.0**	**0.0**	**0.0**						

MEMORANDUM ITEMS			
A. Analysis of Behavorial Adjustments:			
Asset Adjustment:			
A1 - Current Gross Market Value of US Dollar Marketable Assets:	**0.0**		
Discounted Value -	***0.0***		
A2 - Other Adjustments Approved by the FSC	***0.0***		
A3 - **Less** Total Overdraft Facilities Repayable on Demand	***0.0***		
NET ADJUSTMENT TO ASSETS (A1+A2 -A3)	**0.0**	**0.0**	**0.0**
Liabilities Adjustment:			
A4 -Customer Deposits (see breakdown in 12E)	0.0		
Approved Amount -	*0.0*		
A5 - **Less** 25% of Undrawn Undated US Dollar Commitments given by the Bank	0.0		
NET ADJUSTMENT TO LIABILITIES (A4 - A5)	**0.0**	**0.0**	**0.0**
B. Connected Parties: US Dollar-denominated Assets and Liabilites			
Assets:	-		
B1 - Balances Due from Banks Outside the TCI - Head Office/parent			
B2 - Balances Due from Banks outside the TCI - Other Group Financial Institutions			
Liabilities:	-		
B3 - Balances Due to Banks Outside the TCI - Head Office/Parent			
B4 - Balances Due to Banks Outside the TCI - Other Group Financial Institutions			

Month Ending:	**January-00**
Institution:	**Jan-00**

						Month Ending	January-00			

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12 A(II)
LIQUIDITY ANALYSIS

US $'000	Total	Next Day	Up to 8 days	8 days - 1 month	Over 1 month to 3 mths	Over 3 months to 6 mths	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
NON-US DOLLAR DENOMINATED ASSETS										
1. Cash and Cheques in the Process of Collection	0.0									
2. Balances Due from Financial Institutions in the TCI	0.0									
3. Balances Due from Banks Outside the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries - Central Banks	*0.0*									
- b) Zone A & FSC Approved Countries - Banks	*0.0*									
- c) Other Banks and Central Banks	*0.0*									
4. Balances Due from Non-Bank Financial Institutions Outside the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries	*0.0*									
- b) Other	*0.0*									
5. Loan Assets -	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- Loans to Residents	*0.0*									
- Loans to Non-Residents	*0.0*									
- Overdrafts (non-residents)	*0.0*									
- Overdrafts (residents)	*0.0*									
- Credit Card Receivables (residents)	*0.0*									
- Credit Card Receivables (non-residents)	*0.0*									
6. Investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
a) Zone A Government Securities	*0.0*									
b) Other	*0.0*									
7. All Other Assets	0.0									
TOTAL NON-US DOLLAR-DENOMINATED ASSETS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
NON-US DOLLAR-DENOMINATED LIABILITIES										
8. Customer Deposit Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
-Residents	*0.0*									
-Non-Residents	*0.0*									
9. Balances Due to Financial Institutions in the TCI	0.0									
10. Balances Due to Banks Outside the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries	*0.0*									
- b) Other	*0.0*									
11. Balance Due to Non-Bank Financial Institutions in the TCI	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
- a) Zone A & FSC Approved Countries	*0.0*									
- b) Other	*0.0*									
12. All Other Liabilities	0.0									
TOTAL NON- US DOLLAR-DENOMINATED LIABILITIES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
13. Liquidity Mismatch (unadjusted)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
14. Cumulative Mismatch	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
15. Approved Behavorial Adjustments:		**0.0**	**0.0**	**0.0**						
- Net Changes to Assets		*0.0*	*0.0*	*0.0*						
- Net Changes to Liabilities		*0.0*	*0.0*	*0.0*						
16. Adjusted Mismatch Positions to 1 month	**0.0**	**0.0**	**0.0**	**0.0**						

MEMORANDUM ITEMS			
A. Analysis of Behavorial Adjustments:			
Asset Adjustment:			
A1 - Current Gross Market Value of Non-US Dollar Marketable Assets:	**0.0**		
Discounted Value -	**0.0**		
A2 - Other Adjustments Approved by the FSC	**0.0**		
A3 - **Less** Total Overdraft Facilities Repayable on Demand	**0.0**		
NET ADJUSTMENT TO ASSETS (A1+A2-A3)	**0.0**	**0.0**	**0.0**
Liability Adjustment:			
A4 -Customer Deposits (see breakdown in 12E)	0.0		
Approved Amount -	*0.0*		
A5 - **Less** 25% of Undrawn Undated Non-US Dollar Commitments given by the Bank	0.0		
NET ADJUSTMENT TO LIABILITIES (A4- A5)	**0.0**	**0.0**	**0.0**

B. Connected Parties: Non-US Dollar-denominated Assets and Liabilites	
Assets:	-
B1 - Balances Due from Banks Outside the TCI - Head Office/parent	
B2 - Balances Due from Banks outside the TCI - Other Group Financial Institutions	
Liabilities:	-
B3 - Balances Due to Banks Outside the TCI - Head Office/Parent	
B4 - Balances Due to Banks Outside the TCI - Other Group Financial Institutions	

Month Ending:	**January-00**
Institution:	**Jan-00**

BANKING SUPERVISORY SUPPLEMENTARY RETURN 12B
LIQUIDITY HOLDINGS

1. **TOTAL DEPOSIT LIABILITIES**	-
Liquid Assets Ratio	**#DIV/0!**
High Quality Liquid Assets	
2. Cash and Cheques in the Process of Collection	0.0
3. Deposits with Central Banks of Zone A and other FSC-Approved Countries	0.0
4. US Treasury Bills and Equivalent US $ items Issued by another Zone A Govt. or Central Bank	
5. Deposits up to 1 month with TCI Banks	0.0
6. Deposits up to 1 month with Licensed Banks in Zone A or FSC-Approved Countries	0.0
7. Eligible Zone A Marketable Securities - < 5 years Maturity: Gross Market Value ____ Discounted Value	
8. Eligible Zone A Marketable Securities - > 5 years Maturity: Gross Market Value ____ Discounted Value	
9. TOTAL LIQUID ASSET HOLDINGS	**0.0**

Maintenance **of Liquid Assets:** Section 28. (1) (a) Banking Ordinance.
Minimum Required : 12% of Total Deposit Liabilities.

Month Ending:	**January-00**
Institution:	**0**

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12(C.)
NET FOREIGN EXCHANGE POSITION

All figures should be quoted in USD	**FOREIGN CURRENCY** Euro	Pound Sterling	Canadian Dollars	Japanese Yen	Swiss Franc	Norwegian Krone	Other	Total
ASSET:								
1.Cash								0
2.Due From Financial Institutions in the Turks & Caicos Islands								0
3.Due From Financial Institutions Outside the Turks & Caicos Islands								0
4.Cheques in the Process of Collection								0
5.Loans & Advances								0
6.Investments								0
7.Other Foreign Assets								0
8.Other Assets								0
9.TOTAL ASSETS	0	0	0	0	0	0	0	0
LIABILITIES:								
10.Deposits								0
11.Bank Issued Cheques & Drafts								0
12.Due to Institutions in the Turks & Caicos Islands								0
13.Due to Institutions Outside the Turks & Caicos Islands								0
14.Other Liabilities								0
15.TOTAL LIABILITIES	0	0	0	0	0	0	0	0
16.NET FOREIGN EXCHANGE POSITION	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
17.Exchange Rate at Reporting Date								

Month Ending:	**January-00**

Institution:	**Jan-00**

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12 D

CUSTOMERS DEPOSITS BEHAVIOURAL ASSESSMENT

1	2	3	4	5	6	7
#	**Categories of Deposits**	**Minimum Run-off rate allowed (refer to Guideline for details)**	**Total Deposits**	**[1]Portion of the portfolio behavioural adjustment is being applied to.**	**[2]Portion of the deposits portfolio considered stable**	**[3]Deposits Behavioural Adjusted Value**
		%	**US$'000**	**US$'000**	**%**	**USD$'000**
1	Retail deposits	10%				-
2	Unsecured wholesale demand and term deposits provided by small business customers	10%				-
3	Operational deposits generated by clearing, custody and cash management activities	25%				-
4	Secured funding transactions:					
	- collaterised by legal rights to specifically designated assets	50%				-
	- all other secured funding transactions	100%				-
5	A 100% run-off rate to be applied to wholesale deposits placed by other legal entities	100%				-
	Total		-	-		-

IMPORTANT NOTES:

[1] **In Column 5, indicate the dollar value of the deposit portfolio, which according to its legal form is on demand and therefore was allocated to the 'next day', 'up to '8 days', or '8 days - 1 month' time buckets; however, the institution's assessment of the deposits' behaviour revealed that the deposits do not operate according to its legal form and are stable out to 1 month.**

[2] **In Column 6, indicate the percentage of the deposit portfolio that the bank has formally assessed as stable out to 1 month.**

[3] **Column 7 calculates the behaviour adjustment using the higher of the bank's run-off rate and the Commission's concessionary rates in Column 3.**

Month Ending:	**January-00**
Institution:	**Jan-00**

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12 E
MARKETABLE SECURITIES ASSESSMENT

INSTITUTION **Jan-00** **MONTH ENDING:** **January-00**

Marketable Securities	Current Market Value	[1]Discount Factor	Discounted Value	Country	Maturity Date	Credit Rating	Rating Agency	Supervisor's Comments
	USD'000	%	USD'000					
			GOVERNMENT SECURITIES					
			-					
			-					
			-					
			-					
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			-					
			-					
			-					
Total Marketable Government Securities	-	0%	-					

BANKING SUPERVISORY SUPPLEMENTARY RETURNS 12 E
MARKETABLE SECURITIES ASSESSMENT

INSTITUTION **Jan-00** **MONTH ENDING:** **January-00**

Marketable Securities	Current Market Value	[1]Discount Factor	Discounted Value	Country	Maturity Date	Credit Rating	Rating Agency	Supervisor's Comments
CORPORATE SECURITIES								
			-					
			-					
			-					
			-					
			-					
			-					
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			-					
			-					
			-					
Total Marketable Corporate Securities	-	0%	-					
Total Marketable Securities	-	0%	-					

[1] Licensees are to be guided by the discount factors outlined in the Guideline.

Zone A and FSC Approved Countries	
Zone A Countries	***FSC Approved Countries***
Australia	*Bahamas*
Austria	*Barbados*
Belgium	*BVI*
Canada	*Cayman*
Denmark	*Panama*
Finland	*Trinidad &Tobago*
France	
Germany	
Japan	
Luxembourg	
Netherlands	
New Zealand	
Norway	
Sweden	
Switzerland	
Singapore	
United Kingdom	
United States	

**** The prior approval of the FSC is required for the inclusion of liquid assets that are held in a country not listed in Zone A or in a FSC Approved Country.***