



TURKS & CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

4 April 2016

REGULATORY ADVISORY NO.2 OF 2016

Treatment of Applications to Extend Large Exposures Beyond (Current) Statutory Limits

Please be advised that the Financial Services Commission ('the Commission') is prepared to make recommendation to amend relevant sections of the Banking Ordinance and Banking (Capital) Regulations to, *inter alia*:

- (i) explicitly define Tier 1 capital¹;
- (ii) explicitly define large exposures as those equal to or greater than ten per cent (10%) of Tier 1 capital, and expand the definition to include other credit exposure types (eg. investments);
- (iii) limit such exposures to twenty-five per cent (25%) of Tier 1 capital;
- (iv) formalise the five hundred per cent (500%) limit on aggregate large exposures introduced in the 'Guideline on Large Exposures and Credit Risk Concentration for Banks'; and
- (v) explicitly exclude credits (or portions thereof) deemed fully secured by cash (provided clear evidence that funds are duly hypothecated and held to the order of the subject bank) as well as allowable sovereign exposures from the large credit exposure limit.

The Commission will therefore, in anticipation of passage of these proposed amendments, with effect from 4 April 2016, assess and approve as appropriate, applications for credit exposures beyond the current twenty-five per cent (25%) of paid-up capital statutory limit (consistent with Banking (Capital) Regulation 13), **up to a maximum of twenty-five per cent (25%) of Tier 1 capital**. This limit will continue to apply to single borrowers as well as groups of related borrowers. In addition, until further notice, the exemption on sovereign exposures will apply only in respect of bonds and/or irrevocable guarantees fully backed by the Government(s) of the Turks and Caicos Islands and/or the United Kingdom.

Please be guided accordingly.

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¹ Consistent with the components outlined on BSSR worksheet 9(v).

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