Template Submission Guidance Notes

March 31st, 2017 [Version 4]

In an effort to better assess the adequacy of the funding framework of the Deposit Insurance Corporation (DIC), we are requesting a granular break down of Bahamian dollar depositors and borrowers. To this end, your institution has been provided with five (5) Microsoft Excel templates to assist in this effort. The five (5) templates cover the following ownership categories and required calculations for our regulatory assessment:

- Individual (Single Owner) Accounts
- Joint Accounts
- Company Accounts
- Trust/Client Asset Accounts
- Expected Default Frequency (EDF)
- Exposure At Default (EAD)
- Loss Given Default (LGD)

The DIC recognizes that database system limitations could potentially complicate entering data in the requested format. However, we encourage all member institutions to refine (and aggregate where applicable) the retrieved data so as to fit the model provided via the Microsoft Excel templates. If there are complications which cannot be resolved relating to the data entries please contact the DIC by means of e-mail (info@dic.bs).

Individual (Single Owner) Accounts

Individual (Single Owner) Accounts
*Please include sole proprietorships that are not incorporated in this section.
*If an individual has both a personal account (e.g. Sally Jane), and a sole proprietorship account (e.g. Sally's Hair & Nail) then both account types should be aggregated and reflected altogether in one row.
*Total Exposure: "The total amount of credit extended to the borrower(s)."

Unique Account Identifier	Demand (B$)	Fixed (B$)	Savings (B$)	Total value of Accounts (B$)	Total Exposure (B$)	Insured Deposits
				0		0
				0		0
				0		0

Total Insurable Deposits	0
Total Insured Deposits	0

Figure 1

The first of the five (5) excel spreadsheets is the "Individual (Single Owner) Accounts". The deposits of all individual (single owner) accounts should be reflected here in this spreadsheet. If an individual has more than one account type (i.e. Demand/Fixed/Savings) then the total value of all accounts should be reflected only once.

Individual Account Ownership Example

- Jim and Adam both have an individual account ($25,000- Demand).
- Jim has two savings accounts ($4,000 and $3,500).
- Sarah and Adam have individual fixed accounts ($30,000- Fixed).
- Sarah has a sole proprietorship account ($10,000 – Savings).
- Adam has a business loan in the amount of $27,500.

Example 1-1

Jim has 1 savings account, and a demand account with XYZ Bank. When entering the data into the template, all of Jim's accounts will be aggregated, classified, and reflected in one single row.

Additionally, member institutions are required to show linkages between individuals and sole proprietorships that have not been incorporated.

Example 1-2

On top of her fixed account, Sarah also has a savings account under the trading name "Sarah's Baby Boutique". This unincorporated, sole proprietorship should be classified and reflected in the same row as her other savings and fixed accounts.

Note: Incorporated sole proprietorships should be reflected in the "Companies" Microsoft Excel template.*

For the purposes of this exercise, please reflect 'Total Exposure'. Total Exposure column identifies the aggregate amount of credit extended to the individual inclusive of personal loans, credit cards, mortgages, etc. Net Account values are not required at this time.

Example 1-3

On top of his fixed and demand accounts, Adam also has a business loan. This loan and all exposures should be aggregated and reflected in the same row as his other savings and fixed accounts under the 'Total Exposure' column.

How should the examples above be reflected in the template?

Total Insurable Deposits	127500
Total Insured Deposits	122500

Individual (Single Owner) Accounts

*Please include sole proprietorships that are not incorporated in this section.

*If an individual has both a personal account (e.g. Sally Jane), and a sole proprietorship account (e.g. Sally's Hair & Nail) then both account types should be aggregated and reflected altogether in one row.

*Total Exposure: "The total amount of credit extended to the borrower(s)."

Unique Account Identifier	Demand (B$)	Fixed (B$)	Savings (B$)	Total value of Accounts (B$)	Total Exposure (B$)	Insured Deposits
Jim Rolle	$ 25,000.00		$ 7,500.00	32500		32500
Adam Smith	$ 25,000.00	$ 30,000.00		55000	27500	50000
Sarah Jones/ Sarah's Boutique		$ 30,000.00	$ 10,000.00	40000		40000
				0		0

Figure 2

Joint Accounts

Joint Accounts

*If an individual has multiple joint accounts, the total value for each account type is determined by dividing the nominal value by the number of account holders.

*Total Exposure: "The total amount of credit extended to the borrower(s)."

Unique Account Identifier	Demand (B$)	Fixed (B$)	Savings (B$)	Total value of Accounts (B$)	Total Exposure (B$)	Insured Deposits
				0		0
				0		0
				0		0
				0		0

Total Insurable Deposits	0
Total Insured Deposits	0

Figure 3

The deposits of all joint accounts should be reflected here in this spreadsheet.

The DIC will only pay out account owners. An account owner is described as a person whom the bank has established a contractual agreement to provide account facilities. It does not include guarantors or signatories on the account. Therefore joint account holders are required to have beneficial ownership of the deposits held in an account.

Depositors with a single joint account are to be uniquely identified, classified by account type, and matched against any outstanding credit obligations (exposures).

If a depositor has more than one joint account with other depositors within the same member institution (whom can also have other joint accounts) then the nominal value of the account type is presumed to be divided equally by the number of account holders, unless the contractual agreement states otherwise.

Joint Account Ownership Example

Below we follow the relationship of a family that banks with XYZ Bank.

- Jim & Janet (his wife) both share a joint account ($40,000-Savings).
- Jim & Adam (his son) both share a joint account ($16,000-Savings).
- Adam & Aiden (are brothers) both share a joint $5,000 credit card limit (current amount outstanding $3,200).
- Jim & George (his brother) both share a joint account ($34,000-Fixed).
- George & Sarah (his wife) both share a joint account ($65,000-Demand).
- George, Sarah and Sue (Sarah's Mom) share a joint account ($30,000-Savings).
- Sarah and Sue share a joint loan account for a piece of property $28, 000.

Janet's only account is the joint account she shares with her husband Jim at XYZ bank. The total amount of insurable deposits from this family under joint accounts is $185,000.

The DIC will only insure an individual depositor (regardless of how many joint accounts he/she may have) up to B$50,000 per account ownership category (joint, individual, company, trust client). To this end, those individuals with multiple joint accounts must be reflected when reporting deposits.

From the perspective of the DIC, a joint account will be paid to the beneficial owners equally. The DIC understands that dividing account values equally may not align with contractual/verbal agreements between account holders, however, for the purposes of estimating the target size of the deposit insurance fund, we are assuming that each account holder's contribution is equal.

If a bank failure occurs the DIC will pay out based on the contractual agreements of the beneficial owners.

To assist with the ease of gathering and reflecting joint account ownership we request that members handle joint accounts in the following manner:

- Joint accounts should be divided equally among all beneficial owners.
- Each beneficial owner should be reflected on separate line with the individual estimated contribution(s) for each joint account(s).

How should this be reflected in the template?

Joint Accounts

*If an individual has multiple joint accounts, the total value for each account type is determined by dividing the nominal value by the number of account holders.

*Total Exposure: "The total amount of credit extended to the borrower(s)."

Unique Account Identifier	Demand (B$)	Fixed (B$)	Savings (B$)	Total value of Accounts (B$)	Total Exposure (B$)	Insured Deposits
Jim Jones		$ 17,000.00	$ 28,000.00	45000		45000
Janet Jones			$ 20,000.00	20000		20000
Adam Jones			$ 8,000.00	8000	1600	8000
George Jones	$ 32,500.00	$ 17,000.00	$ 10,000.00	59500		50000
Sarah Jones	$ 32,500.00		$ 10,000.00	42500	14000	42500
Sue Rolle			$ 10,000.00	10000	14000	10000
Aiden Jones				0	1600	0

Total Insurable Deposits	185000
Total Insured Deposits	175500

Figure 4

Example 2-1

Jim's estimated insurable deposits will be the estimated ownership of the account he shares with Janet ($40,000 ÷ 2) = $20,000, plus the estimated ownership in the account he shares with Adam ($16,000 ÷ 2) = $8,000 plus the estimated ownership in the account he shares with George ($34,000 ÷ 2) = $17,000. Therefore his total value of joint account ownership is $45,000.

Example 2-2

Sarah's estimated insurable deposits will be the estimated ownership of the account she shares with George ($65,000 ÷ 2) = $32,500, plus the estimated ownership in the account she shares with George and Sue ($30,000 ÷ 3) = $10,000 Therefore her total value of joint account ownership is $42,500. Also note that Sarah has a joint loan with her mother Sue so her estimated exposure in the amount of ($28,000 ÷ 2) = $14,000 will be recorded under Total Exposure.

Note: The DIC understands that dividing account values equally may not align with contractual/verbal agreements between account holders. However, for the purposes of assessing the fund, it is assumed that the contributions and exposures are equal.*

Company Account

Company Accounts						
Please include all partnerships and incorporated companies in this tab *Total Exposure: The total amount of credit extended to the borrower						
Unique Account Identifier	Demand (B$)	Fixed (B$)	Savings (B$)	Total value of Accounts (B$)	Total Exposure (B$)	Insured Deposits
				0		0
				0		0
				0		0
				0		0
				0		0

Total Insurable Deposits	0
Total Insured Deposits	0

Figure 5

The third excel spreadsheet is the "Company Accounts". The deposits of all incorporated company accounts (inclusive of incorporated sole proprietorships) should be reflected here in this spreadsheet.

Partnerships should be reported under the "Company" form as well, as this type of account is insured separately from the personal (individual) accounts of the shareholders of partnerships.

If the company or partnership has more than one account type (i.e. Demand/Fixed/Savings) then the sum total of all accounts should be reflected only once.

Exclusions	
	$ (000s)
Commercial Banks (Authorized Dealers)	
Other Local Financial Instiutions	
Public Non-Financial Institutions	
Public Financial Institutions	
Government Ministries and Departments	

Total	$ -

Reconcilation	
	$ (000s)
GL /Suspense Accounts	
Other	

Figure 6

A listing of all excluded entities (i.e. those which are not covered by the DIC) have also been included for your convenience in a separate tab, and can be accessed by clicking on the exclusion classifications depicted in *Figure 6*. The complete listing of exclusions can also be found in the appendix of these guidance notes.

Also in *Figure 6* is a small section for reconciling to your B$ Deposit amount recorded in the ERS forms as at December 31st, 201X if differences arise. Please note that some form of **explanation** should be provided with the amounts placed in this section.

Trust and Client Asset Accounts

Trust/ Client Asset Accounts						
Unique Account Identifier	Demand (B$)	Fixed (B$)	Savings (B$)	Total value of Accounts (B$)	Total Exposure (B$)	Insured Deposits
				0		0
				0		0
				0		0
				0		0
				0		0
				0		0
				0		0

Total Insurable Deposits	0
Total Insured Deposits	0

Figure 7

The fourth template is the "Trust /Client Assets Accounts". All deposits held in trust and/or on behalf of clients are to be included in this spreadsheet and matched against any outstanding credit obligations (exposures).

EDF- EAD- LGD

The final template, entitled "EDF-EAD-LGD", calculates member institutions' expected default frequency (EDF), exposure at default (EAD) and loss given default (LGD).

Expected Default Frequency (EDF)

EDF is defined as a measure of the probability that a firm will default over a specified period of time (typically one year).

The formula:

$$EDF = \frac{Default\ Point}{Market\ value\ of\ the\ Assets} \times Asset\ Volatility$$

Default Point is defined as a threshold where a company's value is not sufficient to pay back what it owes.

The formula:

$$Default\ Point = Total\ Short\ Term\ Liabilities + \frac{1}{2}\ Long\ Term\ Liabilities$$

Market Capitalization is defined as the market value of a company's outstanding shares.

Book Value Liabilities is defined as the value of a company's liabilities in accordance with its financial statements.

Market Value of the Assets is defined as the sum of Market Capitalization and Book Value Liabilities for a given year.

Asset Volatility is defined as the standard deviation of the year-over percentage change of the Market Value of the Assets.

Please note that audited figures are required for this section. Year 6 should be the most recent data(i.e. year 6= 2015, year 5=2014, year 4=2013, and so on)

*** If the institution is not publicly traded, please leave 'Market Capitalization' blank.**

Year 6	
Total Short Term Liabilities	
Long Term Liabilities	

Year 1			
Market Capitilization	Book Value Liabilities	Market Value Assets	% Change
		$ -	

Year 2			
Market Capitilization	Book Value Liabilities	Market Value Assets	% Change
		$ -	#DIV/0!

Year 3			
Market Capitilization	Book Value Liabilities	Market Value Assets	% Change
		$ -	#DIV/0!

Year 4			
Market Capitilization	Book Value Liabilities	Market Value Assets	% Change
		$ -	#DIV/0!

Year 5			
Market Capitilization	Book Value Liabilities	Market Value Assets	% Change
		$ -	#DIV/0!

Year 6			
Market Capitilization	Book Value Liabilities	Market Value Assets	% Change
		$ -	#DIV/0!

EDF
#DIV/0!
Asset Volatility
#DIV/0!

Figure 8

Member Institutions are required to use audited figures to complete this spreadsheet. In the event that the institution is not publicly traded on BISX, please leave 'Market Capitalization' **blank**.

Exposure at Default (EAD)

EAD is defined as the total value that a bank is exposed to at the time of a loan's default.

The formula:

$$EAD = Fixed\ Exposures + ShortTerm\ Variable\ Exposure + Long\ Term\ Variable\ Exposures$$

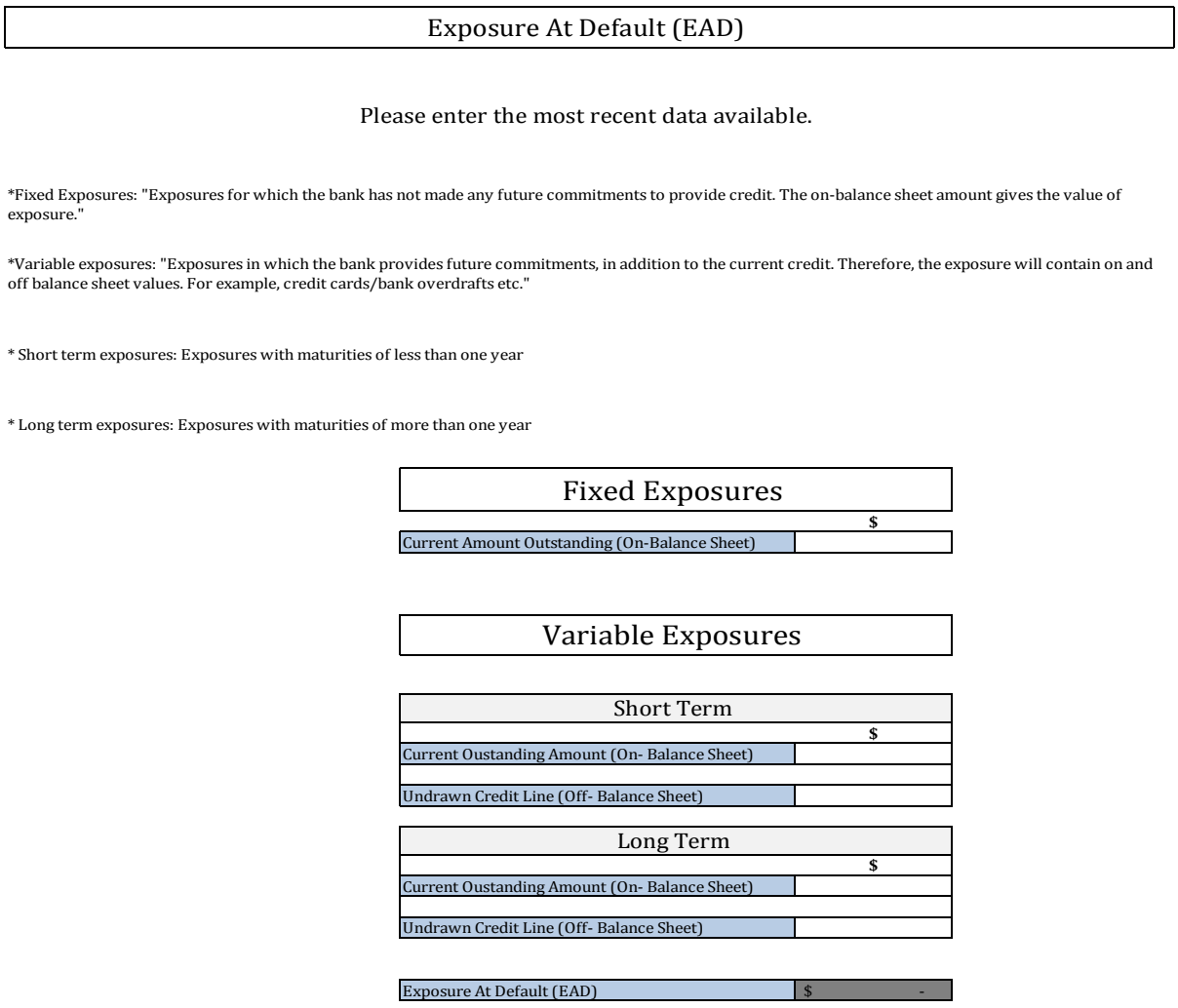
Fixed Exposures are exposures for which the bank has not made any future commitments to provide credit. The on-balance sheet amount gives the value of exposure.

Variable exposures are exposures in which the bank provides future commitments, in addition to the current credit. Therefore, the exposure will contain on and off balance sheet values (e.g. credit cards/bank overdrafts etc.) Variable exposures will be adjusted by the credit conversion factors that are currently used under the credit risk standardized approach.

Short-term exposures are exposures with maturities of less than one year.

Long-term exposures are exposures with maturities of more than one year.

Member institutions are required to enter their on and off balance sheets exposure in the tab labeled EAD noted in *Figure 9*.



Exposure At Default (EAD)

Please enter the most recent data available.

*Fixed Exposures: "Exposures for which the bank has not made any future commitments to provide credit. The on-balance sheet amount gives the value of exposure."

*Variable exposures: "Exposures in which the bank provides future commitments, in addition to the current credit. Therefore, the exposure will contain on and off balance sheet values. For example, credit cards/bank overdrafts etc."

* Short term exposures: Exposures with maturities of less than one year

* Long term exposures: Exposures with maturities of more than one year

Fixed Exposures	
	$
Current Amount Outstanding (On-Balance Sheet)	

Variable Exposures	

Short Term	
	$
Current Oustanding Amount (On- Balance Sheet)	
Undrawn Credit Line (Off- Balance Sheet)	

Long Term	
	$
Current Oustanding Amount (On- Balance Sheet)	
Undrawn Credit Line (Off- Balance Sheet)	

Exposure At Default (EAD)	$ -

Figure 9

Loss Given Default (LGD)

LGD is defined as the amount of money a bank or other financial institution loses when a borrower defaults on a loan.

The formula:

$$LGD = \frac{Total\ Credit\ Losses}{EAD}$$

Total Credit Losses are defined as a loss that a financial organization has incurred as a direct result of customers defaulting on credit obligations.

Member institutions are required to report their total credit losses in the LGD tab (at Figure 10). Gross LGD will then be calculated once the previous EAD form is complete and the total credit losses have been provided.

Please enter total losses incurred as a direct result of customers defaulting on credit obligations as at the end of FY 2016.

Total Credit Losses	
Exposure at Default (EAD)	$ -

Gross LGD	#DIV/0!

Figure 10

APPENDIX 1

Exclusions

Commercial Banks (Authorized Dealers)

Fidelity Bank Bahamas Ltd.
Scotiabank Bahamas Ltd.
Bank of The Bahamas Ltd.
Commonwealth Bank Ltd.
Citibank N.A.
FirstCaribbean International Bank (Bahamas) Ltd.
Finance Corporation of Bahamas Ltd.
RBC Royal Bank Bahamas

Other Local Financial Institutions (Authorized Agents)

Ansbacher
Bank of Nova Scotia Trust Co. Bahamas Ltd.
Bank of The Bahamas Trust Limited
Butterfield Bank (Bahamas) Limited
CIBC Trust Co. (Bahamas) Ltd.
Cititrust (Bahamas) Ltd.
J. P. Morgan Trust Company (Bahamas) Ltd.
Royal Bank of Canada Trust Co. (Bahamas) Ltd.
Royal Fidelity Merchant Bank & Trust Ltd.

Public Non-Financial Institutions

Airport Authority
Antiques Monuments and Museum Corporation
Bahamasair
Bahamas Agricultural and Industrial Corporation
Bahamas Broadcasting Corporation
Bahamas Electricity Corporation
Bahamas Public Parks and Public Beaches Authority
Bahamas Technical and Vocational Institute
Bahamas Water and Sewerage Corporation
Clifton Heritage Authority
College of The Bahamas
Educational Loan Authority

Financial Intelligence Unit
Gaming Board
Health Facilities
Insurance Commission
Nassau Airport Development Company
Nassau Flight Services
National Art Gallery
National Insurance Board
National Sports Authority
Paradise Island Bridge Authority
Public Hospitals Authority
Securities Commission
Straw Market Authority
Utilities Regulation and Competition Authority

Public Financial Institutions

Bahamas Development Bank
Bahamas Mortgage Corporation

Government Ministries & Departments

Governor-General & Staff
The Senate
House of Assembly
Department of the Auditor-General
Ministry of Public Service
Cabinet Office
Officer of the Attorney-General & Ministry of Legal Affairs
Office of the Judicial (Supreme and Magistrates Court)
Court of Appeal
Registrar-General's Department
Bahamas Department of Correctional Services
Parliamentary Registration Department
Ministry of Foreign Affairs & Immigration
Office of the Prime Minister
Bahamas Information Services
Government Printing Department
Department of Local Government
Department of Physical Planning
Department of Lands and Surveys
Ministry of Finance
Treasury Department
Customs Department
Department of Statistics
Central Revenue Administration
Ministry of National Security

Department of Immigration
Royal Bahamas Defence Force
Ministry of Public Works & Urban Development
Department of Public Works
Department of Education
Department of Archives
Department of Education Science & Technology
Ministry of Transport & Aviation
Ministry of Social Services
Department of Housing
Ministry of Financial Services & Local Government
Post Office Department
Department of Civil Aviation
Port Department
Department of Road Traffic
Department Meteorology
Ministry of Agriculture and Marine Resources
Department of Agriculture
Department of Agriculture
Department of Marine Resources
Ministry of Health
Department of Environmental Health Services
Ministry of Tourism
Ministry of Labor and National Insurance
Ministry of the Environment & Housing
Department of Information & Technology
Ministry for Grand Bahama

Appendix 2

Key definitions:

1. **Asset Volatility**- The standard deviation of the year-over percentage change of *Market Value Assets.*
    a. Application: Calculation of EDF.

2. **Book Value Liabilities**- The value of a company's liabilities in accordance with its financial statements.
    a. Application: Calculation of EDF.

3. **Expected Default Frequency (EDF)** - A measure of the probability that a firm will default over a specified period of time (typically one year).
    a. Application: Loss Estimation Methodology

4. **Exposure At Default (EAD)** - Total value that a bank is exposed to at the time of a loan's default.
    a. Application: Calculation of LGD.

5. **Loss Given Default (LGD)** - Loss given default (LGD) is the amount of money a bank or other financial institution loses when a borrower defaults on a loan.
    a. Application: Loss Estimation Methodology

6. **Market Capitalization** - The market value of a company's outstanding shares.
    a. Application: Calculation of EDF.

7. **Market Value of Assets** - The sum of Market Capitalization and Book Value Liabilities for a given year.
    a. Application: Calculation of EDF

8. **Total Credit Losses** - A loss that a business or financial organization has incurred as a direct result of customers defaulting on credit obligations.

    a. Application: Calculation of LGD