



DOMESTIC BANKS AND FINANCIAL INSTITUTIONS ACT

DBFIA Practice Direction No. 8

***Treatment of Exposures Previously Granted Approval under Section 57(2)
of the
Domestic Banks and Financial Institutions Act***

COMMENCEMENT AND AUTHORITY

This Practice Direction is made in exercise of the powers and responsibilities conferred on the Central Bank of Belize (Central Bank) by Sections 6, 9 and 79(1) of the Domestic Banks and Financial Institutions Act (DBFIA), Revised Edition 2020 and shall come into effect on 31 October 2023.

SUMMARY

In line with international standards and best practice, the Central Bank amended section 57 of the DBFIA to cap the single borrower limit at 25% of domestic banks' paid-up capital and unimpaired reserves (capital), which became effective 1 August 2023. All existing approvals granted under section 57(2) of the DBFIA, prior to the amendments, shall remain in effect until the outstanding balance for those loans, advances and extensions of credit fall below 25% of the domestic bank's capital.

APPLICATION

This Practice Direction applies to all loans, advances and extensions of credit to a borrower or borrower group that exceeded 25% of a domestic bank's total capital as at 31 July 2023.

REQUIREMENTS

A. TREATMENT OF EXISTING EXPOSURES ABOVE THE SINGLE BORROWER LIMIT

1. All loans, advances and extensions of credit extended to a borrower or borrower group that were previously granted approval in accordance with section 57(2) of the DBFIA, prior to the effective date of the amendment to section 57, will not be deemed to be in contravention of section 57(2) of the DBFIA, provided that such exposures reduce in accordance section B of this Practice Direction.
2. Banks may maintain the limit on existing overdraft facilities until the expiration of the Central Bank's approval period, as granted under section 57(2) of the DBFIA, prior to the effective date of the amendment to section 57 of the DBFIA.

3. The Central Bank will monitor all existing loans, advances and extensions of credit extended to a borrower or borrower group that were previously granted approval under section 57(2) of the DBFIA to ensure that:
 - a. The outstanding balances are reducing in accordance with the agreed repayment terms as previously approved by the Central Bank in response to the 57(2) application; and
 - b. The bank does not increase its exposure to a borrower or borrower group in excess of the outstanding balance as at 31 July 2023.

B. TREATMENT OF TERMS AND CONDITIONS ATTACHED TO EXISTING SECTION 57(2) APPROVALS

1. All loans, advances and extensions of credit shall at no time exceed the limit approved by the Central Bank;
2. Banks shall provide the Central Bank with an annual business performance report, as specified by the terms and conditions of the existing 57(2) approval, which should include:
 - audited financial statements of the borrower;
 - amount of credit facility approved and outstanding;
 - statement on the operation of the facility(ies); and
 - report on the borrower's financial performance over the period.
3. Banks shall be in compliance with applicable regulatory provisions, where previously required as a term and condition of the 57(2) approval; and
4. Banks shall adhere to the required reduction of outstanding balances as stated in section A – 3 above.
5. Except for 1 to 4 above, all other terms and conditions attached to existing 57(2) approvals will no longer apply.

C. RELATIONSHIP WITH OTHER AMENDMENTS TO THE DBFIA

This Practice Direction shall be read in conjunction with the Domestic Banks and Financial Institutions (Amendment) (No. 2) Act, 2023.