



INTERNATIONAL BANKING ACT

Circular No. 6 of 2023

***Treatment of Exposures Previously Granted Approval under Section 21(B)(2)
of the
International Banking Act***

COMMENCEMENT AND AUTHORITY

This Circular is made in exercise of the powers and responsibilities conferred on the Central Bank of Belize (Central Bank) by Sections 45(1) of the International Banking Act (IBA), 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 21 of the IBA to cap the single borrower limit at 25% of international banks' paid-up capital and unimpaired reserves (capital), which became effective 1 August 2023. All existing approvals granted under section 21(B)(2) of the IBA, 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 international bank's capital.

APPLICATION

This Circular applies to all loans, advances and extensions of credit to a borrower or borrower group that exceeded 25% of an international 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 21(B)(2) of the IBA, prior to the effective date of the amendment to section 21, will not be deemed to be in contravention of section 21(B)(2) of the IBA, provided that such exposures reduce in accordance section B of this Circular.
2. Banks may maintain the limit on existing overdraft facilities until the expiration of the Central Bank's approval period, as granted under section 21(B)(2) of the IBA, prior to the effective date of the amendment to section 21 of the IBA.

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 21(B)(2) of the IBA 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 21(B)(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 21(B)(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 21(B)(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 (21)(B)(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 21(B)(2) approvals will no longer apply.

C. RELATIONSHIP WITH OTHER AMENDMENTS TO THE IBA

This Circular shall be read in conjunction with the International Banking (Amendment) (No. 2) Act, 2023.