

ROATÁN FINANCIAL SERVICES AUTHORITY (RFSA)

WHEREAS the Roatán Financial Services Authority (**RFSA**) is a department within the General Service Provider of Próspera ZEDE that has authority under the Próspera Financial Regulation A (**Financial Regulation A**) to promulgate published administrative actions, subject to override by Rule, applicable to persons governed pursuant to Part 3(c) of Financial Regulation A, for interpretative, investigatory and enforcement purposes.

WHEREAS the Basel Committee on Banking Supervision published principles for sound liquidity risk management and supervision that provide detailed guidance on the risk management and supervision of funding liquidity risk and developing two basic standards for funding and liquidity.

WHEREAS their first objective is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for 30 days and this is addressed by the liquidity coverage ratio.

WHEREAS their second objective is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress and this is addressed by the net stable funding ratio.

WHEREAS adopting these basic standards in Próspera ZEDE supports the best practices in the jurisdiction and its interconnection with the international financial system.

NOW, THEREFORE, in accordance with articles 15, 18, 294 and 329 of the Constitution of the Republic of Honduras; 1, 2, 8.2, 12.2, 30 and 45 of the ZEDE Organic Law; Part 7, div. 5, sec. 504-508 and Part 7, div. 8, sec. 801 of Financial Regulation A; the Proclamation of Formation of the Roatán Financial Services Authority by Administrative Action of the Próspera ZEDE Council of Trustees; and the RFSA Oversight Committee Inaugural Action by Unanimous Consent; all of which are saved from repeal and guaranteed as controlling law under the mandate of Articles 96 of the Constitution, 10.4 of CAFTA-DR, and 16.4 of the Agreement for the Promotion and Reciprocal Protection of Investments between Honduras and Kuwait, as well as a certain amended Legal Stability Agreement approved by Resolutions §§5-1-130-0-0-0-1, 5-1-160-0-0-0-1; 17-A of the Law of the Financial System; the following Administrative Action is hereby promulgated.

RFSA ADMINISTRATIVE ACTION NO. 11**GENERAL LIQUIDITY STANDARDS****Section 1. Applicability**

(1) This Administrative Action is applicable to any institution that has elected to be governed pursuant to Part 3(c) of Financial Regulation A, including:

a) Covered Regulated Industry Persons who have elected to be governed by it; and

- b) such other persons who have contractually consented to be governed by it (with Próspera ZEDE, the General Services Provider, the RFSA and the Financial Intelligence Unit Liaison deemed intended third party beneficiaries of any contract between such a Covered Regulated Industry Person and any other person agreeing to be governed by Financial Regulation A).

Section 2. LIQUIDITY COVERAGE RATIO (LCR)

- (1) An institution must calculate and maintain a liquidity coverage ratio that is equal to or greater than 1.0 on each business day.
- (2) An institution must calculate its liquidity coverage ratio as of the same time on each business day. The institution must select this time by written notice to the RFSA and may not thereafter change its elected calculation time without prior written approval from the RFSA.
- (3) An institution's liquidity coverage ratio equals: (a) the institution's high-quality liquid assets amount as of the calculation date; divided by (b) the institution's total net cash outflow amount as of the calculation date.
- (4) An institution must notify the RFSA on any business day when its liquidity coverage ratio is calculated to be less than the minimum requirement in Section 2(1) above.
- (5) An institution must provide to the RFSA on the first business day of each month: (a) its liquidity coverage ratio for each business day of the preceding month as provided in the LCR Common Disclosure Template included in the liquidity coverage ratio disclosure standards prepared by the Basel Committee on Banking Supervision (January 2014 (rev. March 2014)); and (b) a written assessment of the institution's liquidity position.

Section 3. NET STABLE FUNDING RATIO (NSFR)

- (1) An institution must maintain a net stable funding ratio that is equal to or greater than 1.0 on an ongoing basis.
- (2) An institution's net stable funding ratio equals: (a) the institution's available stable funding (ASF) amount as of the calculation date; divided by (b) the institution's required stable funding (RSF) amount as of the calculation date.
- (3) An institution must notify the RFSA no later than 10 business days, or such other period as the RFSA may otherwise require by written notice, following the date that any event has occurred that would cause or has caused the institution's net stable funding ratio to be less than 1.0 as required under Section 3(1).

- (4) An institution must provide to the RFSA on the first business day of each month: (a) its net stable funding ratio over the preceding month as provided in the net stable funding ratio disclosure standards prepared by the Basel Committee on Banking Supervision (October 2014); and (b) a written assessment of the institution's funding position.

Section 4. LIQUIDITY ISSUES AND REMEDIAL MEASURES

- (1) If potential liquidity difficulties are signaled through a negative trend in the metrics, or when a deteriorating liquidity position is identified, or when the absolute result of the metric identifies a current or potential liquidity problem, the RFSA may request from the institution a plan for achieving compliance with the minimum liquidity requirements in Sections 2(1) and/or 3(1) above and all other requirements of this Administrative Action.
- (2) The RFSA shall request such a plan if the institution's liquidity coverage ratio is below the minimum requirement in Section 2(1) above for three consecutive days; the institution's net stable funding ratio is below the minimum requirement in Section 3(1) above at any time; or the RFSA has determined that the institution is otherwise materially noncompliant with Sections 2(1) and/or 3(1) above.
- (3) The plan must include, as applicable:
- a) An assessment of the institution's liquidity position;
 - b) The actions the institution has taken and will take to achieve full compliance with this Administrative Action, including: (A) a plan for adjusting the institution's risk profile, risk management, and funding sources in order to achieve full compliance with this Administrative Action; and (B) a plan for remediating any operational or management issues that contributed to noncompliance with this Administrative Action;
 - c) An estimated time frame for achieving full compliance with this Administrative Action; and
 - d) A commitment to report to the RFSA no less than weekly on progress to achieve compliance in accordance with the plan until full compliance with this Administrative Action is achieved.
- (4) If the RFSA determines that the institution's liquidity requirements as calculated under this Administrative Action are not commensurate with the institution's liquidity risks, the RFSA may, at its discretion, take additional supervisory or enforcement actions to address noncompliance with the minimum liquidity standard and other requirements of this Administrative Action in compliance with §505 of Financial Regulation A, including the remedial actions provided in §§ 504(a), (b), (c) and (d) of Financial Regulation A.

Section 5. COMPREHENSIVE ASSESSMENTS

- (1) The RFSA shall perform a comprehensive assessment of an institution's overall liquidity risk management framework and liquidity position to determine whether it delivers an adequate level of resilience to liquidity stress given the institution's role in the financial system.
- (2) Such a comprehensive assessment shall be consistent with the principles for sound liquidity risk management and supervision established by the Bank for International Settlements and be performed: (a) on a quarterly basis; or (b) at any other such time as the RFSA determines at its sole discretion, based on its monitoring of internal reports, prudential reports, market information, or any other information likely to affect the liquidity risk of individual institutions or the financial system.

Section 6. SANCTIONS

- (1) Any non-compliance with the reporting standards, any non-submission or delayed submission of any report, or failure to respond to any information requests in good faith shall be subject to monetary sanctions based on a prescribed fine for each occurrence or for each day and will accumulate until such time as the report has been determined compliant with the prescribed reporting standards or the institution deemed to have complied with the information request.

Section 7. RESERVATION OF AUTHORITY

- (1) Nothing in this Administrative Action limits the authority of the RFSA under any other provision of law or regulation to take supervisory or enforcement action, including action to address unsafe or unsound practices or conditions, deficient liquidity levels, or violations of law.

IT IS SO PROMULGATED THIS 14TH OF JUNE OF 2022.

Alexander P. Rolfe
Alexander P. Rolfe (Jun 15, 2022 10:15 EDT)

ALEXANDER ROLFE
RFSA Commissioner

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