



BANKING COMMISSION

P.O. Box 1408

Majuro, Marshall Islands 96960

PHONE: (692) 625-6310

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INSTRUCTIONS AND REPORTING FORMS 9

RISK BASED CAPITAL REPORTING

PURPOSE

In terms of their Conditions of License domestically incorporated banks in the Marshall Islands must maintain at all times Tier 1 capital of not less than 15% of total on-balance sheet assets and off-balance sheet risk exposures.

STATUTORY REFERENCE

Under Section 37 (1), the Commissioner is obligated to notify banks in writing of regulatory reporting requirements intended to strengthen supervision of the RMI banks.

Instruction 9 represents the official reference source applicable to the Risk Based Capital Return, for use by bank personnel with responsibility for regulatory reporting.

Banks that fail to submit timely and accurate Risk Based Capital returns may be subject to fines under Section 37 (3).

Under Section 50 the Commissioner may, from time to time by order, prescribe the minimum ratios, which the capital and surplus of banks shall bear to the total volume of their assets or liabilities or to any specified categories of such assets or liabilities.

FREQUENCY/SUBMISSION DATE

All domestically incorporated banks are required to submit the Risk Based Capital return within 30 days after the last business day of each quarter.

RECEIPT

Banking Commission, MIDB Building, Floor 5 Room 501, Majuro.

Phone: (692) 625-6310; Fax (692) 625-6309: E-mail: bankcomm@ntamar.net

SIGNING AUTHORITY

The Senior RMI Officer of the institution concerned, or in his absence a designated officer must sign the completed return, to certify the accuracy of the information submitted.

INSTRUCTIONS 9

RISK BASED CAPITAL REPORTING

GENERAL DEFINITIONS

Instruction 9 represents the general reference source for the Quarterly Risk Based Capital return.

1. **Eligible Tier 1 capital** consists of:

- Paid-up capital as defined in *Instructions and Reporting Forms 1* **LESS** any holdings of own shares in the form of Treasury Stock held. Partly paid shares should be reported at the amount paid. Do not report the unpaid element of partly-paid shares, or authorized but unissued share capital
- The Legal Reserve as defined in *Instructions and Reporting Forms 1*; and
- Prior Years' undistributed profits

Special Reserves that are earmarked for particularly purposes are not generally available to meet losses incurred in the bank and are therefore not recognized as Tier 1 capital.

LESS

- Goodwill and other similar intangibles, which are still to be written-off;
- Current year's losses
- Loans classified as Loss in terms of Banking Commission *Directive 3* that have not been fully written-off or provided for.

2. Total balance sheet risk weighted assets are derived according to the methodology set out in the *Statement of Assets and Liabilities*.
3. Total off-balance sheet risk weighted assets are derived according to the methodology set out in the *Off-balance Sheet Business Return*.
4. The capital ratio is computed by dividing item 7 by item 10 and multiplying by 100.

BANKING COMMISSION
REVISED JUNE 2007