



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# Pillar 3 Market Disclosures Guideline

*To enhance transparency and market discipline by financial institutions under the Financial Institutions Act, Chap. 79:09*

June 2025 (draft)

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## 1. Introduction

- 1.1. The Basel framework issued by the Basel Committee on Banking Supervision (“BCBS”) provides a model for enhanced capital measurement and management based on three mutually reinforcing Pillars. Pillar 1 – Minimum Capital Requirements; Pillar 2 – Supervisory Review and Evaluation Process (“SREP”) of banking institution’s Internal Capital Adequacy Assessment Process (ICAAP); and **Pillar 3 – promotion of Market Discipline through enhanced public disclosure by banking institutions**. Pillar 3 complements Pillar 1 and 2.
- 1.2. Specifically, Pillar 3 is designed to improve transparency, reduce information asymmetry and enhance market discipline by providing market participants with key information to assess a banking institution or banking group’s risk exposures, capital structure and adequacy, liquidity ratios and risk management practices. The guiding principles for Pillar 3 disclosures are clarity, comprehensiveness, meaningfulness/usefulness, consistency over time, and comparability. Each of these principles are discussed in turn in Section 4 of this Guideline.
- 1.3. Additionally, Appendix 1 summarises the type, frequency and required format for Pillar 3 disclosures and a template is also provided to assist the process. As seen in the table some disclosures have a fixed format for presenting the information and in other cases, the format is flexible. Notwithstanding the latter, a format has been provided for the flexible format for your use if you should so choose.
- 1.4. Regulation 7 of the Financial Institutions (Capital Adequacy) Regulations, 2020 (“Regulations”) requires financial institutions to disclose such information pertaining to capital, risk exposures, risk assessment processes, credit risk mitigation and capital adequacy while Regulation 10 of the Financial Institutions (Liquidity) Regulations (“Liquidity Regulations”)<sup>1</sup> requires financial institutions to provide disclosures on liquidity risk management and liquidity risk exposures in such time, form, manner and frequency as the Central Bank may specify in a Guideline. Regulation 2 of the Regulations provides for

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<sup>1</sup> Upon its promulgation.

Regulation 7 to come into effect by Notice published by the Minister of Finance in the Gazette.

## 2. Definitions

<b>Act</b>	means the Financial Institutions Act, Chap 79:09;
<b>Banking group</b>	means a group that engages predominantly in banking activities such that 50% or more of the group's assets consist of banking assets or 50% or more of the group's gross income is derived from banking operations;
<b>Central Bank</b>	means the Central Bank of Trinidad and Tobago;
<b>confidential information</b>	means information that if shared with the public would cause the financial institution making the disclosure to breach the terms of a legal agreement;
<b>financial institution</b>	means a licensee or financial holding company as defined in the Act;
<b>Guideline</b>	means this “Pillar 3 Market Disclosures Guideline” issued by the Central Bank;
<b>market discipline</b>	means the disciplinary mechanism through which market forces reward financial institutions that are managed effectively while penalizing those whose management is weak or ineffective, thereby strengthening incentives for financial institutions to behave in a prudent and efficient manner;
<b>materiality</b>	means the principle whereby information would be regarded as material if its omission, non-disclosure or misstatement could change or influence the assessment or decision of a user relying on the information for the purpose of making economic decisions;

<b>non-bank financial institution/ NFI</b>	means a financial institution licensed by the Central Bank to carry on the <b>business of a financial nature</b> in accordance with section 17 of the Act;
<b>officer</b>	has the meaning as defined in the Act;
<b>proprietary information</b>	means information, including information on products and services, which is viewed as the property of the financial institution and which, if shared with competitors, would undermine its competitive position.

### 3. Purpose, Application and Scope

3.1 The purpose of this Guideline is to:

- 3.1.1 set out the minimum expectations of the Central Bank regarding the Pillar 3 disclosure framework to be put in place by financial institutions;
- 3.1.2 provide guidance to financial institutions on key information that must be disclosed including qualitative and quantitative information; and
- 3.1.3 provide a consistent and comparable basis upon which Pillar 3 disclosures are to be made by financial institutions.

3.2 This Guideline applies to all licensees and financial holding companies in the following manner:-

- 3.2.1 **On a consolidated basis** – to a licensee (bank<sup>2</sup> or non-bank financial institution<sup>3</sup>) or financial holding company that is the parent company of a banking group, all the disclosure requirements in the Pillar 3 – Disclosures Template (“Disclosures Template”) will apply only at the top consolidated level of the relevant banking group to include all the relevant entities in the group.

<sup>2</sup> Licensed under section 16 of the Act.

<sup>3</sup> Licensed under section 17 of the Act.

3.2.2 **On an individual basis to a licensee that is a bank** but which is not part of a banking group for which section 3.2.1 applies. All the disclosure requirements in the Disclosures Template will apply to the bank.

3.2.3 **On an individual basis to a licensee that is an NFI** but which is not part of a banking group for which section 3.2.1 applies. Based on the principle of proportionality<sup>4</sup>, the disclosures required are the applicable disclosures in **Table 1 – Key Metrics of the Disclosures Template, on an annual basis only**, given the current size, risks and complexity of these standalone NFIs.

3.3 Notwithstanding 3.2.3 above, the Central Bank may apply additional Pillar 3 disclosure requirements to any entity having regard to changes in the characteristics of the financial institution including but not limited to business model or systemic importance. Where the Central Bank so determines it will advise the licensee of this fact in writing and set out the reasons why additional disclosures should apply.

## 4. Disclosure Framework

### 4.1 Disclosure Policy

4.1.1 A financial institution should have in place a written disclosure policy which:

- i. is approved by its Board of Directors;
- ii. outlines the institution's approach for determining the disclosure content (including the appropriateness, level of disaggregation and detail);
- iii. establishes sound internal controls and governance over the disclosure process including systems for the verification and review of the accuracy of information;
- iv. is subject to independent review (for example by the company's internal audit function); and
- v. is reviewed at least annually by the Board of Directors and senior management to ensure it is kept up to date and that the information disclosed continues to be relevant to its business model, products and current market conditions.

<sup>4</sup> The Principle of proportionality ensures that applicable rules and supervision practices are consistent with banks' risk profiles, systemic importance and are appropriate for the broader characteristics of a particular financial system.

4.1.2 The disclosure policy of the financial institution should be proportionate to its nature, size, complexity, and risks.

4.1.3 In developing the disclosure policy, financial institutions should be guided by the following key principles:-

- i. ***Disclosures should be clear.*** Institutions should explain complex issues in simple language with key terms and should present information in a form that is understandable to stakeholders;
- ii. ***Disclosures should be consistent*** with how senior management and the board of directors assess and manage risk over time and should:
  - a. enable stakeholders to identify trends in an institution's risk profile across all significant aspects of its business; and
  - b. highlight and explain additions, deletions and other important changes in disclosures from previous reports, including those arising from a specific institution or regulatory or market developments;
- iii. ***Disclosures should be comprehensive*** and should:
  - a. include among other things, the main activities of the financial institution and all its significant risks, supported by relevant underlying data and information;
  - b. describe significant changes in risk exposures between reporting periods, together with the Board / senior management's response;
  - c. be sufficiently flexible and provide sufficient qualitative and quantitative information to reflect how senior management and the Board internally assess and manage risks including the institution's strategy, processes and procedures for identifying, measuring and managing those risks. The information should enable users to better understand the institution's risk tolerance/appetite;
- iv. ***Disclosures should provide meaningful or relevant information to users.*** Financial institutions should highlight its most significant current and emerging

risks and how these risks are managed. Information likely to attract market attention should be included;

- v. ***Disclosures should be comparable across banks.*** The level of detail and format of presentation should enable stakeholders to perform meaningful comparisons of business activities, prudential metrics and risk management practices;

4.1.4 Financial institutions should decide what constitutes relevant disclosures based on the concept of materiality;

4.1.5 Financial institutions may omit certain disclosures if the omitted item is proprietary or confidential in nature. Where such an omission is made, the financial institution must identify the specific information that it has omitted and provide a reason for the omission in its disclosures. It should also disclose general qualitative information about the subject matter of the requirement;

4.1.6 Pillar 3 Disclosures are not required to be audited by an external auditor. However, the methodology used in preparing the disclosures must be consistent with those used for audit purposes/disclosures. In particular, the information provided by institutions under Pillar 3 must be subject, at a minimum, to the same level of internal review and internal control processes as the information provided by for their financial reporting (i.e. the level of assurance must be the same as for information provided within the management discussion and analysis part of the financial report). Information in a financial institution's Pillar 3 disclosures should be consistent with information in its audited financial statements or regulatory returns submitted.

4.1.7 *Qualitative narrative to accompany the disclosure requirements*

- i. To provide market participants with a broader picture of its risk position and promote market discipline, institutions are expected to supplement the quantitative information provided (i.e. in both the fixed and flexible templates in the Disclosures Template) with a narrative commentary. The narrative commentary should explain at least any significant changes between reporting periods and any other issues that management considers to be of interest to market participants. The form taken by this additional narrative is at the institution's discretion.



- ii. Institutions may also elect to provide additional voluntary risk disclosures relevant to their business model that may not be adequately captured by the standardised requirements in the Disclosures Template. Additional quantitative information must provide sufficient meaningful information to enable market participants to understand and analyze any figures provided. It must also be accompanied by a qualitative discussion. Any additional disclosure must comply with the guiding principles above.

## **4.2 Location of Pillar 3 Disclosure**

- 4.2.1 A financial institution must ensure that the Pillar 3 disclosures are easily located and accessible<sup>5</sup>.
- 4.2.2 Pillar 3 disclosures should be made available on the website of the financial institution, including an archive of Pillar 3 disclosures relating to prior reporting periods.
- 4.2.3 Financial institutions must present their Pillar 3 disclosures in a standalone document which may be appended to, or form a discrete section of, financial statements.

## **4.3 Frequency and Timing of Disclosure**

- 4.3.1 In general, financial institutions are required to make their Pillar 3 disclosures on a quarterly, semi-annual and annual basis, as specified. The Tables in Appendix 1 and the Disclosures Template specify the type and frequency of the Pillar 3 disclosures.
- 4.3.2 The disclosures made by a financial institution on an annual basis should cover all the areas referred to in Disclosures Template. Annual Pillar 3 disclosures must be based on the audited financial statements of the institution.
- 4.3.3 In accordance with section 4.2.3, an institution's annual Pillar 3 disclosures should be published simultaneously with its audited financial statements for the corresponding period. Pillar 3 disclosures on a quarterly and/or semiannual basis

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<sup>5</sup> Compliance with section 4.2.2 will satisfy the requirements of section 4.2.1.

must be available within 3 months after the end of the relevant quarter or half year period.

4.3.4 Notwithstanding the frequency of reporting set out by the Central Bank, financial institutions should publish material information as soon as is practicable and not later than the deadlines established by the Central Bank.

**4.3.5 Financial institutions must notify the Central Bank/ Inspector of the publication of their disclosures.**

#### **4.4 Disclosure Form and Content**

4.4.1 Financial institutions should be guided by the information required in the tables in the Disclosures Template when making their Pillar 3 disclosures. **Except where the format is fixed**, the Pillar 3 disclosure document prepared by the financial institution need not adhere to the specific tabular format in which the requirements are set out.

4.4.2 Financial Institutions must ensure that their Pillar 3 disclosures include an attestation from an officer or member of the Board of Directors that the disclosures have been prepared in accordance with the board approved internal control process.

### **5. Role of the Central Bank**

5.1 The Central Bank will assess the sufficiency of the Pillar 3 disclosures of financial institutions, having regard to the framework specified in this Guideline and will take the appropriate action as provided by the Guideline, the Regulations and the Act.

### **6. Effective Date**

6.1 This Guideline will come into effect on the date of the Notice published in the Gazette by the Minister of Finance. The Central Bank will advise licensees of the publication of the Notice and when the disclosures will be required to be provided.

- 6.2 Within 3 months of the publication of the Notice and the issuance of the Guideline, licensees should advise the Inspector of Financial Institutions in writing, of any material information gaps or other impediments to publishing the required disclosures and inform of their plans to close the gaps in a reasonable time (e.g. 3 months) in writing.
- 6.3 Financial institutions are required to review this Guideline and institute appropriate measures to ensure compliance by the timeframes specified in 6.1 above.

## Appendix 1- Table Showing the Nature, Format and Frequency of Required Pillar 3 Disclosures

Table No.	Table Name	Risk Category / Description	Required Format	Publication Frequency
1	Key Metrics	Overview of risk management, key prudential metrics and RWA	Fixed	Quarterly
2	Overview of Risk Weighted Assets	Overview of risk management, key prudential metrics and RWA	Fixed	Quarterly
3	Leverage Ratio	Leverage ratio	Fixed	Quarterly
4	Liquidity Coverage Ratio	Liquidity	Fixed	Quarterly
5	Overview of Risk Management	Overview of risk management, key prudential metrics and RWA	Flexible	Semi-Annual
6	Capital Structure	Composition of capital and TLAC	Flexible	Semi-Annual
7	Credit quality of assets	Credit risk	Fixed	Semi-Annual
8	Changes in stock of defaulted loans and debt securities	Credit risk	Fixed	Semi-Annual
9	Standardized approach—credit risk exposure and credit risk mitigation (CRM) effects	Credit risk	Fixed	Semi-Annual
10	Standardized approach - Exposures by asset classes and risk weights	Credit risk	Fixed	Semi-Annual
11	Standardised Approach – Counterparty Credit Risk Exposures by Regulatory Portfolio and Risk Weights	Counterparty credit risk	Fixed	Semi-Annual
12	Composition of collateral for Counterparty Credit Risk exposure	Counterparty credit risk	Flexible	Semi-Annual
13	Credit Derivatives exposures	Credit risk	Flexible	Semi-Annual
14	Securitization Exposures in the Banking book	Securitisation	Flexible	Semi-Annual
15	Securitization exposures in the Trading book	Market risk	Flexible	Semi-Annual
16	Market Risk – standardized approach	Market risk	Fixed	Semi-Annual
17	Interest rate risk in the banking book (IRRBB)	Interest rate risk in the banking book	Fixed	Semi-Annual
18	Scope of Application	General	Fixed	Annual

Table No.	Table Name	Risk Category / Description	Required Format	Publication Frequency
19	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Linkages between financial statements and regulatory exposures	Flexible	Annual
20	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Linkages between financial statements and regulatory exposures	Fixed	Annual
21	Explanations of differences between accounting and regulatory exposure amounts	Linkages between financial statements and regulatory exposures	Fixed	Annual
22	Liquidity risk management	Liquidity	Fixed	Annual
23	Credit Risk - General Qualitative Information	Credit risk	Fixed	Annual
24	Additional disclosure related to the credit quality of assets	Credit risk	Fixed	Annual
25	Qualitative disclosure requirements related to credit risk mitigation techniques	Credit risk	Fixed	Annual
26	Credit risk mitigation techniques—overview	Credit risk	Fixed	Annual
27	Qualitative disclosures on the use of external credit ratings under the standardized approach for credit risk	Credit risk	Flexible	Annual
28	Qualitative disclosure related to counterparty credit risk	Counterparty credit risk	Flexible	Annual
29	Qualitative disclosure requirements related to securitization exposures	Securitisation	Flexible	Annual
30	Qualitative disclosure requirements related to market risk	Market risk	Flexible	Annual
31	General qualitative information on an institution's operational risk framework	Operational risk	Flexible	Annual
32	Minimum operational risk capital requirement	Operational risk	Flexible	Annual
33	Capital distribution constraints	Capital distribution constraints	Fixed	Annual