



CENTRAL BANK OF TRINIDAD AND TOBAGO (CENTRAL BANK)

RESPONSES TO INDUSTRY COMMENTS ON THE DRAFT RECOVERY PLAN GUIDELINES FOR FINANCIAL INSTITUTIONS

No.	Section Reference	Industry Comment	Central Bank's Response
1.	Section 1.3 (new Section 1.2)	The highlighted word "cost" should actually be "benefits" or "rewards" or something else to that effect.	An editorial change was made. Please note that section 1 is abbreviated in the final version of the Guideline.
2.	Section 1.7 (new Section 1.5)	The item references nine (9) sections, however, the Guideline includes eight (8) sections and Appendices.	The draft Guideline did have nine sections but one section titled "Supervisory Expectations for Recovery Planning" was not listed. This section has been omitted in the final guideline.
3.	Section 2.6	This paragraph mentions consideration should also be given to the ICAAP but should specify as well "or ORSA, in the case of insurance companies" and it is here that a footnote should be inserted explaining ICAAP and ORSA (i.e. footnote 6 to be moved up).	An inclusion was made to reference the ORSA.
4.	Section 3 Definitions and Abbreviations	At the definition/reference for "FIA", include the Chapter reference, as done at the "CBA" above.	An editorial change was made.
5.	Section 4.1.	Would it be mandatory to have a separate Recovery Policy or can this be subsumed in the BCM Policy?	The Recovery Plan should be separate from the Business Continuity Policy to avoid confusing the purpose and intent of each. Refer to the guidance given in section 5.1 of the Guideline.
6.	Section 4.6 (new Section 4.5)	Would it be a requirement for the Risk function to be separate and apart from BCM and DR?	Typically, business continuity and disaster recovery planning are managed by the risk management function. We have removed the word "independent" before risk management for clarification.
7.	Sections 5.7 (new Section 5.6), 6 and 7	<p>Our financial group utilizes a Pan-Caribbean business strategy. Governance for the region's various activities is also centralized through various oversight committees.</p> <p>In order that we may provide a more holistic and all-encompassing recovery strategy for our operations, we propose developing and submitting a Pan-Caribbean recovery plan, inclusive</p>	We note the comments. Refer to the revised section 7 of the Guideline with respect to the scope of the Recovery Plan. Section 7 has also been amended for clarity.

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		of Trinidad and Tobago and the totality of Caribbean jurisdictions in which we operate that would provide a consolidated and thorough approach to financial crisis management in the region. A recovery plan of this nature would outline not only the interconnections, co-dependencies and relevant actions, but also provide further strategic value to the Central Bank of Trinidad and Tobago (CBTT), and to our company as a financial crisis management tool to manage a possible financial crisis.	
8.	Section 6.1	Stress Scenarios on their own would not add value, however coupled with item D and showing how we recover from those scenarios would add more value	Amended. 6.1 C and D have been combined to read "Stress scenarios, including the concrete and practical options for recovery for each scenario;"
9.	Section 6.4	How do you define "critical operation" versus "core business line"	<p>Critical operations relate to activities, services or functions performed by an entity that, if discontinued, are likely to lead to a disruption of services essential to the economy or the financial system.</p> <p>Core business line relates to a business line and its associated services which represent material sources of revenue, profit, or franchise value to the entity.</p>
10.	Section 6.24.14 (new Section 6.23.14)	What are CBTT's liquidity facilities?	Section 36(i) of the Central Bank Act, Ch. 79:02 allows the Central Bank to grant advances (up to 6 months) to financial institutions (i.e. entities licensed under the Financial Institutions Act, 2008).
11.	Section 6.33 (new Section 6.32)	Should there be an explanation of "playbooks"? Maybe in a footnote?	Playbooks are manuals setting out operational actions required to be carried out for the particular recovery option(s) as indicated in section 6.33.
12.	Section 7.1	Our entity is part of a greater company, is it that we are required to provide recovery plans for all territories where the group has operations?	Where a local financial institution has an international parent, or is part of an international financial group but is not part of a domestic Financial Group or a Financial Holding Company established within Trinidad and Tobago, only an individual plan will be required. Section 7 has been amended to clarify this.

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13.	Section 7.2	A bit more clarification on this point would be nice	We note the comment however, we are not clear on the specific clarification being requested. Nevertheless, Section 7 has been amended.
14.	Section 8.1	Line 1 to insert after "internal governance" the word framework.	Previous Section 8 titled "Supervisory Expectations and Recovery Planning" was deleted in its entirety. Information regarding CBTT's expectations which were not discussed within the Guidelines otherwise, were repositioned within other Sections of the Guidelines, where applicable.
15.	Section 8.2	Similar to page 8 Ref 5.5 line 3 "The Central Bank, therefore, expects that a financial institution's ICAAP (footnote 6.) or ORSA, liquidity contingency plan ...." Insertion of ORSA should be included in section 2.6 "..... including the Internal Capital Adequacy Process ("ICAAP") or ORSA (with footnote) and capital adequacy requirements in developing their recovery plans".	
16.	Section 8.2	Section 8.2 conflicts with Section 4.11 which gives the organization the opportunity to select who has ownership of the recovery plan and who will be the point of contact with CBTT for same.	
17.	Section 9.2 (new Section 8.2)	In light of the requirement for insurers to establish their OSRA, it seems impractical to require insurers to develop a recovery plan in six (6) months and to implement all aspects, including testing within twelve months.	The establishment of an ORSA is not a pre-requisite to developing a Recovery Plan. Rather the proper interpretation of section 2.6 means that the ORSA should be considered in the development of a Recovery Plan where it exists. Notwithstanding, the time for development of the Recovery Plan has been increased from six months to nine months from the date of issuance of the Guideline. Note that financial institutions are also required to submit, along with the board-approved Recovery Plan, a board-approved action plan for the implementation and testing of the Plan within a further six (6) months of the submission of the Plan to the Inspector.
18.	Section 9.2 (new Section 8.2)	Financial institutions are required to review this Recovery Planning Guideline and develop a recovery plan within <b>twelve (12) months</b> of the date of issuance of this Guideline. The Recovery Plan must be approved by the financial institution's board and submitted to the Inspector of Financial Institutions.	The timeframe for the development of a recovery plan has been amended to nine (9) months in consideration of the industry's feedback. Note that financial institutions are also required to submit, along with the board-approved Recovery Plan, a board-

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		The requirements of the guideline are quite extensive, and we are of the view that an additional six (6) months will be practicable to adequately develop the recovery plan.	approved action plan for the implementation and testing of the Plan within a further six (6) months of the submission of the Plan to the Inspector.
19.	Section 9.2 (new Section 8.2)	It has been noted that the submission of the recovery plan to CBTT is mandatory, not on request, as has been in the case of previous guidelines. It would be helpful to understand the thinking behind this change.	Not all of the previous guidance issued by the Central Bank required the submission of documents only upon request. The Central Bank considers that recovery planning is critical to ensuring the resilience and financial recovery of financial institutions when faced with stress situations. It is therefore considered necessary for Recovery Plans to be submitted within the timeframe specified for review. It should be noted that Recovery Plans feed into the development of resolution plans for financial institutions where the Recovery Plan fails.
20.	Section 9.3 (new Section 8.3)	<p>Financial institutions must also implement all required governance and structural mechanisms to operationalize the recovery plan, including testing of the plan within <b>twelve (12) months</b> of the issuance of the Guideline.</p> <p>Based on our feedback regarding section 9.2 of the Draft Guideline, we are of the view that an additional six (6) months will be practicable to adequately implement and test the recovery plan post-development.</p>	The timeframe for the implementation of the Recovery Plan has been amended to <b>fifteen (15) months</b> in consideration of the industry's feedback.
21.	Appendix II	Throughout appendix referred to institutions and should read financial institutions.	Editorial changes were made.
22.	Appendix II (f) – Capital Indicators	<p>Appendix II of the Guideline requires insurers to establish their Own Risk and Solvency Assessment (OSRA) framework, which in itself should be a separate, although related exercise from the development of the recovery plan itself.</p> <p>This framework may require its own guideline to assist insurers with its development and implementation.</p>	We note that comment made. – The Bank will be issuing separate guidance on an ORSA in the future. Please note that having an ORSA is not a pre-requisite for developing a Recovery Plan. However, where an ORSA is in place the Recovery Plan must take it into consideration.
23.	General Comment	We believe that the recovery plan must also include protection elements similar to the Bankruptcy and Insolvency Act so as to prevent a run on the institution and preservation of its assets during periods of recovery, reorganisation etc. Appointment of third-party experts	The Recovery Plan is an individual, institution-specific document prepared by the financial institution. The objective of the Recovery Plan is to ensure that the entity is prepared for

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		<p>such as those registered under the BIA to assist with the process may be useful so as to ensure transparency, independence and trust during such a process. Such an option should be included.</p> <p>The recovery plan must include CBTT, DIC, Supervisor of Insolvencies and other similar institutions that can ensure that the desired outcome as proposed under any such plan is sound, achievable and conforms to the rule of law whilst protecting the interests of all.</p>	<p>shocks and stresses that have the potential to negatively impact the entity and has considered strategies that restore the institution to financial viability should these scenarios / shocks materialise.</p> <p>The comments appear to be more relevant to a resolution plan developed by the regulator than to a recovery plan.</p>
24.	General Comment	<p>Although shareholder injections of equity are always seen as the first line of defence, this, in many instances further compromises the shareholder and places additional and unnecessary risks to it. Reliance should be placed on a sound Business Model that has the flexibility to activate responses to adverse events in a manner that maintains the entity's financial stature. Suspension of certain regulatory guidelines and laws (similar to Loan restructuring during covid-19) must be allowed and based on the discretion of the Institution under recovery and fully supported by the Regulator/s on a case-by-case basis.</p>	<p>The Recovery Plan is an individual, institution-specific document prepared by the financial institution. The objective of the Recovery Plan is to ensure that the entity is prepared for shocks and stresses that have the potential to negatively impact the entity and has considered strategies that restore the institution to financial viability should these scenarios / shocks materialise.</p> <p>Where macro-stress events occur that can impact the entire economy and financial system the Central Bank in collaboration with relevant stakeholders will determine the appropriate actions to preserve the viability of the financial system.</p>
25.	General Comment	<p>The needs of small, medium and large Banking, non-banking, and other participants in the Financial Services sector will differ and the Guideline must clearly state and allow for such differentiation.</p>	<p>With reference to Section 2.5, it is CBTT's expectation that the development of recovery plans will be guided by the principle of proportionality.</p>
26.	General Comment	<p>As an insurer will CBTT be providing an ORSA?</p>	<p>The CBTT will provide ORSA guidance in the future. However, having an ORSA in place is not a pre-requisite for developing a Recovery Plan. It is CBTT's expectation that insurers will be proactive in determining and examining their own risks until such time as CBTT provides guidance in that regard.</p>

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27.	General Comment	Smaller Companies may not have the resources to conduct the stress testing. In this light would alternative actions be accepted by the Bank	Institutions are required to implement measures in line with their size, complexity and business model. Well, thought-out scenario analyses may be sufficient.
28.	General Comment	Further guidance from the Bank on the effective formulation of the plan and stress testing elements in the form of a workshop (as an example) would be useful.	While the Central Bank can provide broad guidance as per Section 6. C of the Recovery Plan Guideline, institutions are expected to know their business and risks and how they can be impacted by adverse scenarios and shocks.