



CENTRAL BANK OF TRINIDAD & TOBAGO

Eric Williams Plaza, Independence Square, Port-of-Spain, Trinidad, Trinidad and Tobago
Postal Address: P.O. Box 1250
Telephone: (868) 625-4835; 4921; 5028; Fax: (868) 627-4696
E-Mail Address: info@central-bank.org.tt
Website: www.central-bank.org.tt

September 15, 2017

**CIRCULAR LETTER TO ALL LICENSEES UNDER THE
FINANCIAL INSTITUTIONS ACT, 2008 AND
INSURANCE COMPANIES UNDER THE
INSURANCE ACT, CHAPTER 84:01**

REF: CB-OIFI-2480/2017

**INTERNATIONAL FINANCIAL REPORTING STANDARD 9
FOR FINANCIAL INSTRUMENTS (IFRS 9)**

The International Accounting Standards Board in July, 2014 issued the final version of IFRS 9 which addresses the classification, measurement, impairment and hedge accounting for financial instruments. In particular, IFRS 9 introduces an expected loss impairment model and will replace International Accounting Standard 39-Financial Instruments, which recognized the impairment of financial assets using an incurred loss model. The effective date for the adoption of IFRS 9 is January 1, 2018.

In this regard, the Central Bank of Trinidad and Tobago (Central Bank) proposes to engage with financial institutions and their auditors to gain an understanding of the stage of preparation for the implementation of the Standard, implementation issues relating to IFRS 9 and institutions' assessment of the impact of the adoption of IFRS 9. The Central Bank may also seek feed-back from any external party that you have engaged to assist you with implementing IFRS 9.

As a first step in this exercise, the Central Bank requests submission of the following information by **October 20, 2017**:-

- i. the financial institution's approved implementation plan detailing proposed timelines and targets achieved thus far;
- ii. internal parties/departments engaged to assist with the implementation process and the scope of their work;
- iii. external parties, including accounting firms that either have been or will be engaged, to assist with the implementation process and the scope of their involvement;
- iv. any challenges that the institution has experienced, is experiencing or expects to experience in the implementation process, including but not limited to issues related to resources, data, assumptions or models;
- v. your current thinking and basis for conclusions about:
 - a. likely changes related to measurement and classification;
 - b. simplifications needed to be applied;
 - c. possible implications for your pricing and/or lending practices, if applicable;
 - d. possible implications for your credit risk management practices;
 - e. any impact on the volatility of your earnings; and

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- vi. if available, the results of any tests to quantify the changes to the level of provisioning, capital and regulatory capital ratios.

These submissions will inform continued dialogue on the issues and implications geared at assuring successful implementation of IFRS 9. Also, insights into the possible impacts of IFRS 9 and its interaction with prudential requirements is necessary to support policymaking on regulatory provisioning, transitioning and related capital issues.

Submissions in soft copies should be e-mailed to ifrs9@central-bank.org.tt and hard copies should be submitted to the undersigned. In addition, all queries can be directed through the aforementioned e-mail address.

Yours sincerely



Michelle Chong Tai-Bell
INSPECTOR OF FINANCIAL INSTITUTIONS