



CENTRAL BANK OF TRINIDAD & TOBAGO

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CIRCULAR LETTER:

All Financial Institutions Licensed
under the Financial Institutions Act, 2008
The Bankers Association of Trinidad and Tobago

REF: CB-OIFI-1899/2021

**CONSULTATION ON THE DRAFT FRAMEWORK FOR THE IDENTIFICATION OF A DOMESTIC
SYSTEMICALLY IMPORTANT BANK AND HIGHER LOSS ABSORBENCY REQUIREMENT**

In accordance with regulation 20 of the Financial Institutions (Capital Adequacy) Regulations, 2020 (“Regulations”), the Central Bank of Trinidad and Tobago (“Central Bank”) has developed a framework for identifying a domestic systemically important bank (“D-SIB”); and determining the corresponding capital add-on or higher loss absorbency requirement (“HLA”).

The draft framework which is based on the Basel Committee on Banking Supervision’s *Framework for Dealing with Systemically Important Banks* has been adapted for this jurisdiction. The draft Framework uses three criteria for determining a D-SIB - **size, interconnectedness and substitutability** - and also describes in detail the indicators and methodology used to determine the HLA.

Upon finalizing of this Framework, the capital add-on or HLA will come into effect only when a Notice is published in the Gazette by the Minister of Finance pursuant to Regulation 20 which will not be earlier than January 2022. Thereafter, the Framework will be applied and those institutions identified as D-SIBs will be notified and advised of the relevant HLA. Institutions will be allowed a transition period of up to 12 months to comply with the D-SIB HLA requirement.

Institutions are invited to provide feedback on the draft framework which is appended and can also be accessed on the Bank’s website at <https://www.central-bank.org.tt/core-functions/supervision/banking-sector-draft-consultation-papers>. Comments and queries should be submitted electronically to GuidelinesComments@central-bank.org.tt by **October 15, 2021**.

We thank you in advance for your continued cooperation and look forward to your timely feedback.

Yours sincerely

Michelle Francis-Pantor

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FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT