



CENTRAL BANK OF TRINIDAD & TOBAGO

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November 6, 2019

CIRCULAR LETTER TO:

ALL FINANCIAL INSTITUTIONS AND
FINANCIAL HOLDING COMPANIES LICENSED
UNDER THE FINANCIAL INSTITUTIONS ACT, 2008

REF: CB-OIFI-2957/2019

**CONSULTATION PAPER ON
PHASE 2 POLICY PROPOSALS FOR THE IMPLEMENTATION OF BASEL II/ III**

The Central Bank of Trinidad and Tobago (“Central Bank”/ “Bank”) in keeping with its Strategic Plan 2017 – 2021 is issuing for comment its Consultation Paper on the Phase 2 Policy Proposals for the Implementation of Basel II/ III Capital Adequacy Frameworks for licensed financial institutions and permitted financial holding companies under the Financial Institutions Act, 2008.

The main elements of the Phase 2 proposals include:-

- Pillar 2– Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP);
- Pillar 3 – Market Discipline;
- Leverage Ratio – which is a non-risk based ‘backstop’ to complement the risk based minimum capital requirements’
- Capital Conservation Buffer (CCB) – which is designed to promote the maintenance of additional high quality capital that could be used to absorb losses during periods of financial and economic stress; and
- Liquidity Coverage Ratio (LCR) – which is designed to ensure that financial institutions hold sufficient high quality liquid assets to allow them to survive a period of significant liquidity stress lasting thirty (30) calendar days.

This Consultation Paper provides details with respect to the implementation of the ICAAP, leverage ratio and the CCB and can be viewed on the Bank’s website at:

<https://www.central-bank.org.tt/sites/default/files/page-file-uploads/phase-2-basel-II-III-consultation-paper-Nov-2019.pdf>

It should be noted that Pillar 3 and LCR requirements are not detailed in this Consultation Paper and will be addressed in subsequent documents to be issued in January and June 2020, respectively.

Comments on this Consultation Paper are due by **December 18, 2019** and should be submitted by e-mail to Baselconsultation@central-bank.org.tt. Hard copies may be submitted to the undersigned. Queries on the Consultation Paper should be directed to Karyn Stewart at kastewart@central-bank.org.tt or 621-2288 Ext. 5090.

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In addition, the Central Bank intends to hold a face to face meeting with the industry during the week of November 25, 2019 to discuss the Phase 2 policy proposals and you will be notified of the specific day and time for the meeting within the next two weeks.

We also advise that we will be issuing a number of guidelines covering topics, such as, Corporate Governance (revised); Liquidity Risk Management (new); Operational Risk Management (new); and Management of Interest Rate Risk in the Banking Book (new) over the next few months to support the SREP/ ICAAP process. These Guidelines are intended to assist regulated institutions with enhancing their risk management regimes.

Finally, the Central Bank advises that we are working with the relevant authorities to have the new Capital Adequacy Regulations which is needed to fully implement the new Basel II/ III capital adequacy requirements in place as soon as possible.

We thank you for your cooperation to date and look forward to your continued engagement as we seek to promote the stability and resiliency of the financial sector by strengthening the capital and liquidity standards for regulated institutions.

Yours sincerely



Michelle Francis-Pantor
Deputy Inspector – Banks, Non-Banks and Payment Systems Oversight
FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT