



CENTRAL BANK OF TRINIDAD & TOBAGO

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January 6, 2021

CIRCULAR LETTER TO:

All Licensees and Financial Holding Companies
under the Financial Institutions Act, 2008
Trinidad and Tobago Unit Trust Corporation
Trinidad and Tobago Mortgage Finance Company Limited
Agricultural Development Bank, Home Mortgage Bank
Bankers Association of Trinidad and Tobago
Institute of Chartered Accountants of Trinidad and Tobago

REF: CB-OIFI-30/2021

**GUIDELINES ON THE MANAGEMENT OF LIQUIDITY RISK FOR INSTITUTIONS
LICENSED UNDER THE FINANCIAL INSTITUTIONS ACT, 2008**

The Central Bank of Trinidad and Tobago (“Central Bank”\ “Bank”) by circular letter **REF: CB-OIFI-1513/2020** dated July 27, 2020 issued two draft guidelines for the management of credit and liquidity risks for industry comment.

After consideration of the comments received, the Bank has finalised the “*Guideline on the Management of Liquidity Risk*” (“Guideline”) which will apply to financial institutions and financial holding companies under the Financial Institutions Act, 2008. It is recommended that certain other specified institutions (see section 4.2) also review the Guideline and seek to enhance their liquidity risk management framework to the extent practicable. The Guideline on Credit Risk Management will be issued under separate cover.

The Guideline can be accessed on the Central Bank’s website at <https://www.central-bank.org.tt/publications/legislations-and-guidelines/banking-sector-legislation-and-guidelines>. In addition, the Bank’s responses to comments received can also be viewed on the website at <https://www.central-bank.org.tt/core-functions/supervision/banking-sector-draft-consultation-papers>.

Liquidity risk is a key risk for banking institutions. In this regard, the Guideline aims to ensure that liquidity risk management practices by financial institutions are appropriate, sufficiently sound, effective, and align with international best practices and legislative requirements. Accordingly, you are required to carefully review your existing liquidity risk management framework against the provisions in the Guideline and take all reasonable measures to ensure compliance with its contents in the stipulated timeframe.

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The Central Bank recognizes that certain elements of the Guideline may necessitate system changes which may take a longer timeframe. Where this has been determined, the undersigned should be notified, and a board approved action plan with reasonable timelines should be submitted to the Central Bank on, or before, the six-month timeframe for implementation of the Guideline. The action plan must also indicate the interim measures to be instituted to address the identified gap.

We thank you for your usual co-operation.

Yours sincerely



Patrick Solomon
INSPECTOR OF FINANCIAL INSTITUTIONS