



# Central Bank of Trinidad and Tobago

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November 16, 2020

## **CIRCULAR LETTER TO:**

Licensed Financial Institutions  
Financial Holding Companies  
Pursuant to the Financial Institutions Act, 2008

**REF: CB-OIFI-2343/2020**

## **GUIDELINES FOR THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)**

By Circular Letter [CB-OIFI: 988/2020](#) dated May 8, 2020, the Central Bank of Trinidad and Tobago (“Central Bank”/ “Bank”) advised that the consultation on the Pillar 2 Internal Capital Adequacy Process (“ICAAP”) had been concluded and that an ICAAP Guideline will be issued later in 2020. The Bank also communicated the postponement of its Basel II/III-Phase 2 project implementation plan to January 2022, having regard to, *inter alia*, the potential impact of COVID-19.

Accordingly, the Central Bank is issuing the “*Guideline for the Internal Capital Adequacy Assessment Process (Guideline)*” which is also now available on the Bank’s website at <https://www.central-bank.org.tt/publications/legislations-and-guidelines/banking-sector-legislation-and-guidelines>. This Guideline is being issued pursuant to regulation 6 of the Financial Institutions (Capital Adequacy) Regulations, 2020 (“Capital Adequacy Regulations”) and will enhance licensees’ risk management and capital planning processes. You should note that the ICAAPs assist financial institutions with the adequate identification, quantification, monitoring and management of all material risk exposures.

You are advised that where a financial institution’s capital adequacy is above the minimum capital adequacy ratios but below its optimal capital adequacy level based on its ICAAP, the Central Bank expects the financial institution to address this in its capital management plan and devise an action plan to reach its optimal capital level in a realistic timeframe, taking into consideration macroeconomic conditions. We also wish to point out regulations 6 (4) of the Capital Adequacy Regulations which states that after review of the ICAAP, the Inspector may impose a target capital ratio on the financial institution that is higher than the minimum capital adequacy ratio. However, the Inspector will consider all circumstances before imposing such a requirement.

You are reminded that the first ICAAP submission by all institutions is due by **January 31, 2022** using data from your last audited financial statements. Specifically, where a financial institution’s year-end falls after June 30, 2021, the institution should use data from the prior year’s audited financials.

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We look forward to your usual cooperation and advise you to direct any queries on the ICAAP to [Baselconsultation@central-bank.org.tt](mailto:Baselconsultation@central-bank.org.tt).

Yours sincerely

A handwritten signature in blue ink that reads "Patrick Solomon". The signature is fluid and cursive, with the first name "Patrick" and the last name "Solomon" clearly legible.

Patrick Solomon  
**INSPECTOR OF FINANCIAL INSTITUTIONS**