



# CENTRAL BANK OF TRINIDAD & TOBAGO

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March 31, 2022

## **CIRCULAR LETTER TO:**

Licensed Financial Institutions

Financial Holding Companies

Pursuant to the Financial Institutions Act, 2008

**REF: CB-OIFI-675/2022**

## **LEVERAGE RATIO GUIDELINE AND LEVERAGE RATIO REPORT**

In accordance with regulation 19 of the Financial Institutions (Capital Adequacy) Regulations, 2020 (“the Regulations”), the Central Bank of Trinidad and Tobago (“Central Bank”/ “Bank”) has developed a Leverage Ratio Guideline (“Guideline”) and accompanying Leverage Ratio Report (“Report”) for your review and comment.

The purpose of the leverage ratio is to reduce the risk of periods of deleveraging in the future which can impact the financial system and economy adversely. The leverage ratio is therefore a non-risk based backstop measure which is intended to reinforce risk based capital requirements.

Regulations 19 (1) states that “*a financial organization shall be required to maintain a minimum leverage ratio of three per cent calculated as the ratio of Tier 1 capital to adjusted on-balance sheet and off-balance sheet assets.*” Regulation 19 (2) requires the adjusted on-balance sheet and off-balance sheet assets for the purpose of the leverage ratio calculation be determined in the manner specified by the Central Bank in a guideline.

Consequently, the Guideline provides directions on the calculation of the leverage ratio and determination of the respective components of the ratio. Please note that the leverage ratio will only come into effect upon publication of a Notice in the Gazette by the Minister of Finance in accordance with Regulation 2 of the Regulations. However, the Central Bank is obliged to develop and test the framework to facilitate its implementation. The leverage ratio will not be effected before 2023 but the exact timing will be determined and communicated based on the results of a Quantitative Impact Study (“QIS”) as outlined in the following paragraph.

In order to ascertain the impact of introducing the leverage ratio requirement, the Central Bank will conduct a QIS using data over a three-month period using the Leverage Ratio Report. Institutions are therefore required to complete the Report, using data as at month’s end for a three-month period January 2022 to March 2022.

The Guideline, Report and Instructions for the completion of the Report can be accessed on the Bank’s website at <https://www.central-bank.org.tt/core-functions/supervision/banking-sector-draft-consultation-papers>.

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Comments and queries on the Guideline, Report and Instructions, together with the three completed Reports, are to be submitted electronically to the Central Bank via [Baselconsultation@central-bank.org.tt](mailto:Baselconsultation@central-bank.org.tt) by **June 30, 2022**.

We anticipate your usual co-operation.

Yours sincerely



Patrick Solomon  
**INSPECTOR OF FINANCIAL INSTITUTIONS**