



# CENTRAL BANK OF TRINIDAD & TOBAGO

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January 8, 2020

**CIRCULAR LETTER TO:**

ALL INSTITUTIONS LICENSED UNDER  
THE FINANCIAL INSTITUTIONS ACT, 2008  
AND INSTITUTE OF CHARTERED ACCOUNTANTS  
OF TRINIDAD AND TOBAGO (ICATT)

**REF: CB-OIFI-26/2020**

**TREATMENT OF ESTIMATED CREDIT LOSSES FOR DETERMINING  
CAPITAL ADEQUACY REQUIREMENTS**

Further to Circular Letter CB-OIFI-1020/2019 issued on April 30, 2019 regarding the subject matter, the Central Bank of Trinidad and Tobago ("Central Bank") wishes to advise that it has considered all comments received by financial institutions and subsequently amended its Guideline for the Treatment of Estimated Credit Losses (ECLs) for Regulatory Capital Reporting Purposes ("ECL Guideline").

Financial institutions are reminded that this ECL Guideline focuses only on the Impairment component of IFRS 9, and its purpose is solely to provide financial institutions<sup>1</sup> with guidance on the categorization of provisions under the ECL model as either General or Specific provisions for regulatory capital reporting purposes.

The General Approach, which has been adopted by all institutions, outlines a general model (three-stage approach) for impairment based on changes in credit quality from initial recognition. It is noted that while Stage 1 and Stage 3 provisions are clearly classified as General and Specific provisions respectively, institutions are required to consider any significant increase in credit risk in determining the transition of Stage 1 provisions to Stage 2. Accordingly, financial institutions must clearly determine the triggers, which cause it to change the basis of its calculation of the loss allowance from 12 month ECLs to Lifetime ECLs. To determine whether such an increase has occurred, institutions must consider reasonable and supportable information that is available without undue cost or effort, including information about the past and forward-looking information.

This ECL Guideline, which is effective from the date of issuance applies to all relevant submissions to the Central Bank from **March 2020** and is available on the Central Bank website at <https://central-bank.org.tt/core-functions/supervision> under the "Legislation and Guideline" tab.

The Central Bank appreciates the feedback and looks forward to your submissions.

Yours sincerely

Patrick Solomon

**INSPECTOR OF FINANCIAL INSTITUTIONS**

<sup>1</sup> For the purposes of this Guideline, a "financial institution" refers to an institution licensed under the Financial Institutions Act 2008 (FIA) and financial holding companies granted a permit under the FIA.