



CENTRAL BANK OF
TRINIDAD & TOBAGO

**GUIDELINE FOR THE NOTIFICATION OF
NEW OR MATERIALLY DIFFERENT BANKING PRODUCTS OR SERVICES
UNDER THE FINANCIAL INSTITUTIONS ACT, 2008**

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1. INTRODUCTION

- 1.1 Financial institutions continuously seek to improve their performance and competitive position in many ways, including the introduction of new or modified products or services. However, such products or services may pose undue risk to financial institutions or the financial system.
- 1.2 In light of the foregoing, and in accordance with the Financial Institutions Act, 2008 (the Act), a licensed financial institution (licensee)¹ is required under Section 51(1) to notify the Inspector of Financial Institutions (the Inspector) before offering a **new or materially different** product or service to the public.

2. PURPOSE OF THE GUIDELINE

- 2.1 This Guideline seeks to enhance the transparency and efficiency of the notification process for licensees as prescribed in Section 51(1) of the Act by:-
- 2.1.1 Providing guidance on what constitutes a new or materially different product or service; and
- 2.1.2 Detailing the information to be submitted when notifying the Inspector of a new or materially different product or service.
- 2.2 In addition, the Guideline outlines the Central Bank's expectations regarding the management and control of risks associated with the introduction of a new or materially different product or service and aims to ensure that this responsibility resides with the board and senior management of the licensee.

3. SCOPE AND APPLICATION

- 3.1 This Guideline is applicable in cases where:-
- 3.1.1 A company is applying to become a licensee in Trinidad and Tobago.

In such a circumstance the applicant is required to submit details pertaining to all the products and services it intends to offer in Trinidad and Tobago when applying for its licence.

¹ Licensee has the same meaning as in Section 2(1) of the Act.

- 3.1.2 A licensee is desirous of launching a new product or service.
- 3.1.3 A licensee wishes to offer to the public a product or service that is materially different from an existing product or service.

4. “NEW” AND “MATERIALLY DIFFERENT” PRODUCTS OR SERVICES

- 4.1 For the purposes of this Guideline, a **“new product or service”** is one which has not previously been marketed or sold by the licensee.
- 4.2 A **“materially different product or service”** is one which significantly amends any of the terms and conditions of a previously approved product or service. Material amendments may include changes to the characteristics and structure of the product or service that alter either its suitability for certain types of customers, or the underlying risk characteristics of the product or service, such as market, legal or reputational. Material differences, however, **do not** include rebranding or repackaging of an existing product or service.

5. DETERMINATION OF “MATERIAL DIFFERENCE”

- 5.1 The chief risk officer or other officer² identified by the licensee should be responsible for determining whether a variation to an existing product or service causes it to be materially different for the purpose of section 4.2.
- 5.2 In determining material differences, a licensee should ideally analyse the implications of the modifications from its perspective as well as the customer's. The results of the analysis should be well documented and be readily available for review by the licensee's internal audit function and the Central Bank.
- 5.3 Where the licensee has determined that a variation to an existing product or service constitutes a material difference, or is uncertain as to whether a change is material, the proposal should be submitted to the Central Bank in accordance with Section 51(1) of the Act.

² “Officer” has the same meaning as in section 2(1) of the Act.

6. PRODUCT DEVELOPMENT POLICY

- 6.1 All licensees should have a board approved **Product Development Policy** to guide the development and approval process for new and materially different products or services.
- 6.2 The **Product Development Policy** should detail the process to be followed regarding the review and approval of new or materially different products or services and should address the following areas:

- 6.2.1 Nature and scope of an internally appointed committee that is responsible for the product development process.

This committee should include representatives from all the functional areas involved in developing and implementing products: e.g. compliance, marketing, legal, information technology, client relationship, and investments.

- 6.2.2 Conduct of market research and feasibility studies.
- 6.2.3 Development of computer systems specifications.
- 6.2.4 Systems testing of the product including user acceptance.
- 6.2.5 Nature of marketing and training materials and their review by the relevant company personnel.

For example, training plans should be so structured as to ensure a thorough understanding of the characteristics and risks of the product by sales staff. This should include whether or not the product or service is covered by deposit insurance or carries some form of guarantee.

- 6.2.6 Review of the product by legal counsel to ensure compliance with the applicable laws of Trinidad and Tobago.
- 6.2.7 Preparation of a comprehensive product development report which addresses at a minimum the following items:
- a. Pricing;
 - b. Market research;
 - c. Financial projections; and
 - d. Legal review.
- 6.2.8 Submission of the product development report to senior management for approval.

Senior management is required to consider the risks that new or materially different products or services present to the licensee and the customer and ensure that all regulatory, compliance, accounting and taxation requirements are satisfied. Once approved, they must accept responsibility for all aspects of the product or service and its launch.

6.2.9 Procedure for filing of appropriate documentation with the Central Bank (refer to section 7.3 of this Guideline).

6.2.10 Board's policy regarding reviews of the licensee's products or services, including the frequency of such reviews, and unplanned circumstances that might cause the licensee to review a product or service.

For major product or services, the Central Bank expects the review to take place at least annually and should cover the profitability of the product or service, as well as marketing plans, staff training and any other features that the licensee considers material. In addition, licensees should pay particular attention to the following requirements:

(i) Senior management is expected to keep to the timetable established for the reviews and document their results.

(ii) The reports of the periodic reviews must be made available to the Central Bank upon request. The Central Bank may examine the reviews during on-site examinations or at any other time in order to satisfy itself that:

(a) Regular reviews are being done; and

(b) The reviews are being carried out in accordance with the Product Development Policy.

6.3 The Central Bank expects all licensees to review their existing Product Development Policy to ensure that it complies with the requirements in section 6.2 of this Guideline.

6.4 Where a licensee either does not have a Product Development Policy or must revise its existing Policy to ensure compliance with this Guideline, the licensee is required to develop or amend the Policy as the case may be and submit it to the Central Bank within six months of the date of issue of this Guideline.

7. NOTIFICATION PROCESS FOR A NEW OR MATERIALLY DIFFERENT PRODUCT OR SERVICE

- 7.1 Once either a new or materially different product or service is decided upon, the licensee must notify and file all the appropriate documents with the Inspector at least one month before the intended date of its launch.
- 7.2 The Inspector will assess the new or materially different product or service based on the documents submitted by, as well as discussions with, the licensee. The minimum required documentation is detailed in Appendix 1 of this Guideline.
- 7.4 In addition to the specified documents in Appendix 1, the Inspector may request additional information as appropriate in order to determine whether in his opinion, the product or service poses undue risk to the public and/or the ongoing viability of the licensee.
- 7.5 Within **seven (7) days** of the submission of all the documents referred to in Appendix I, and any additional information that may be requested, the Inspector shall issue a Notice acknowledging receipt of the licensee's notification.
- 7.6 If the Inspector does not raise any objections by the end of **fourteen (14) days** from the issuance of the Notice referred to in section 7.5, the licensee can proceed to launch the product or service. However, it should be noted that this 'de facto' no objection does not prevent the Inspector from requiring the licensee to discontinue marketing or sale of the product or service if information comes to his attention, at a later date, that the new or materially different product or service poses significant consumer or market concerns that are not in the public's interest.

8. REQUIRED DISCLOSURES

- 8.1 The licensee must ensure that any marketing, promotional or advertising material pertaining to the new or materially different product or service is not misleading and accurately reflects the key features of the product or service. The Inspector, in accordance with Section 54 of the Act, may require the licensee to correct or withdraw an advertisement where it is found to be misleading or objectionable.
- 8.2 The marketing material should clearly define the product or service and assign to it the relevant terminology, e.g. 'deposit' or 'loan'. In addition, the material should describe whether any security or protection, such as deposit insurance, is afforded to the product or service.

- 8.3 The marketing, promotional or advertising material should also state where additional information on the product or service can be sourced.

APPENDIX I - DOCUMENTS REQUIRED

A licensee is required to submit the following information to the Central Bank when notifying the Inspector of the introduction of new or materially different banking products or services:

- 1) A description of all terms and conditions that are applicable to the product or service;
- 2) A detailed description of the product or service, including the key features, structure, and target market. Product illustrations should also be provided where appropriate;
- 3) A description of the product's or service's key inherent risks from both the licensee's perspective and that of the customer, together with the systems that are in place to mitigate these risks;
- 4) A copy of the brochure or other marketing material to be used to advertise the product or service;
- 5) A signed statement by an officer of the licensee certifying that:
 - (i) the new or materially different product or service has been developed in accordance with this Guideline as well as other statutory requirements; and
 - (ii) the Product Development Policy has been followed.
- 6) Evidence of payment of the service charge as prescribed in the Central Bank (Payment of Supervisory Fees and Charges) Regulations, 2011.