Central Bank of Trinidad and Tobago

Liquidity Coverage Ratio

Instructions for the completion of the reporting template

June 2023 (revised draft)

Liquidity Coverage Ratio (LCR)

Instructions for the completion of the reporting template-draft

I. General Instructions

Purpose

These instructions are intended to support the completion of the Liquidity Coverage Ratio (LCR) template, which will determine the liquidity position of licensees and financial holding companies (hereafter collectively referred to as 'reporting institutions') in line with the requirements of the Central Bank's *draft LCR Consultation Paper.*

Accordingly, in completing the template reporting institutions should be guided by these instructions together with the detailed guidance provided in the draft LCR Consultation Paper.

Calculation of the LCR

Reporting institutions should follow the calculation methodology set out by the Central Bank in determining the values of the respective reporting items[1].

Frequency of Reporting

Licensees are required to report to the Central Bank on the LCR on an individual and consolidated basis, with the applicable frequency, i.e. monthly basis for individual reporting and a quarterly basis for consolidated reporting. Financial holding companies (FHCs) are required to report on a quarterly basis.

The LCR reporting template is to be submitted to the Central Bank within 10 working days of the last day of the month for which the report is due.

[1] These are currently set out in the Central Bank's consultation document on the Liquidity Coverage Ratio (LCR). These will however be captured in both a Guideline and Regulation issued on the LCR.

Scope of Reporting

Reporting on the LCR is required from licensees on both an individual and consolidated basis and from financial holding companies on a consolidated basis only in accordance with the rules specified in regulation 4 of the Financial Institutions (Capital Adequacy) Regulations, 2020.

Unit of Measure and Reporting Values

Reporting institutions must report all values in worksheets 1 to 3 in thousands of Trinidad and Tobago dollars (TTD $000s). For the worksheets which determine the LCR by significant currencies, reporting institutions must complete the data for the respective currency and provide the value of the exchange rate applied, as requested in the respective worksheet.

Currencies

The minimum 100% LCR must be met in a common currency (Trinidad and Tobago dollars) and includes all HQLA, cash outflows and cash inflows denominated in other currencies and converted to TT dollars. The HQLA, cash outflows and cash inflows for this calculation must be reported in Worksheets 1 to 3. Worksheet 4 will automatically calculate the effective LCR of the reporting institution.

The calculation of the LCR by currency is limited to significant currencies only. For the LCR in each significant currency, there is no minimum ratio with which licensees must comply. A significant currency is one for which the aggregate liabilities denominated in that currency amount to 5% or more of the licensee's total liabilities.

Worksheets 5 to 12 replicate the content of worksheet 1 to 4 but for the currencies identified as significant according to the definition. Additional worksheets may be inserted, if necessary, when the reporting institution operates in other significant currencies.

Cells and Validations

Reporting Institutions must adhere to the following:

i. Data should be entered into the tabs ' HQLA', ' Cash Outflows', and 'Cash Inflows'. Data should be entered in the white coloured cells only. Except for the white coloured cells, the cells must not be edited. Institutions must not delete or insert rows or columns in any worksheet. Data must not be entered in grey cells.

ii. Where applicable, balances reported should be consistent with values reported to the Central Bank through other returns.

iii. As required in guidance provided by the Central Bank, double counting is not permitted. That is, if an asset is included as part of the stock of HQLA, the associated cash inflows on that asset cannot be counted as 'inflows' for the purpose of the LCR. In addition, if there is the potential that an item could be counted in multiple outflow categories, an institution should assume and report the maximum potential outflow for that item.

iv. The HQLA reported should represent the stock of unencumbered assets according to the specific descriptions given for each level of HQLA.

v. Cash outflows and inflows should be reported on a gross absolute basis (i.e. with a positive sign), unless otherwise stated.

vi. Sovereign and corporate ratings used to determine the eligibility of securities as HQLA are to be based on credit ratings from the eligible credit rating agencies as defined in the Financial Institutions (Capital Adequacy) Regulations, 2020 and announced by the Central Bank[2].

II. Specific Instructions

A. Worksheet 1. 'HQLA'

In completing this worksheet, reporting institutions must consider the following:

i. This worksheet collects information on the assets that are admitted as HQLA (Level 1, Level 2A and Level 2B).

ii. An asset only can be included in the stock of HQLA if it satisfies all the conditions set out in the guidance provided by the Central Bank.

[2] The Bank's list of eligible credit rating agencies can be accessed on the website at https://www.central-bank.org.tt/sites/default/files/page-file-uploads/recognized-credit-rating-agencies-and-ratings-equivalency-table.pdf

iii. Securities included as HQLA must be reported at their market value. ‘Coins and banknotes’, and ‘central bank reserves’ are to be reported at their face/nominal value.

iv. The *Adjustment to stock of HQLA for 15% cap on Level 2B assets (reference code 141)* calculates the amount of Level 2B assets held in excess of the admissible cap of 15%.

v. The *Adjustment to stock of HQLA for 40% cap on Level 2 assets (reference code 142)* calculates the amount of Level 2 assets held in excess of the admissible cap of 40%.

B. Worksheet 2. ‘Outflows’

In completing this worksheet, reporting institutions must consider the following:

i. Retail deposits are to be assigned to the ‘stable’ or ‘less stable’ categories.

ii. ‘Stable retail deposits’ (item 212) and ‘stable small business customers’ (item 221) refers to deposits covered by the Deposit Insurance Corporation that also satisfy the conditions set out in the guidance provided by the Central Bank. When a reporting institution reports the LCR on a consolidated basis, deposits held by entities abroad covered by the respective qualifying deposit insurance scheme will be included, provided such deposits also satisfy the criteria set out in the guidance provided by the Central Bank.

iii. Stable retail deposits in foreign currency (items 2122, 2124 and 2126) and stable small business customers deposits in foreign currency (items 2212, 2214, and 2216) comprise qualifying deposits held by a subsidiary or entity abroad, and these cells will only be completed when a reporting institution reports the LCR on a consolidated basis. Deposits provided by institutions in Trinidad and Tobago denominated in foreign currencies (i.e., any currency other than TT dollars) are not covered by the Deposit Insurance Corporation and therefore do not qualify as ‘stable’.

iv. In the case of ‘Stable retail deposits’ (item 212) and ‘stable small business customers’ (item 221), reporting institutions will report the deposit balances up to the deposit insurance limit. Any amount in excess of the deposit insurance limit must be treated as “less stable”.

v. In the case of qualifying operational deposits (Item 224), the portion that is fully covered by a deposit insurance scheme may receive the same treatment as “stable” retail deposits and, therefore, a 5% run off rate will apply (item 2242). Any amount in excess of the deposit insurance limit is to be treated and reported as “not covered by deposit insurance” (item 2241).

vi. Funding provided by non-financial corporates and sovereigns, central banks, multilateral development banks, and PSEs will receive a 20% run-off rate only when the entire amount of the deposit is fully covered by an effective deposit insurance scheme (item 2251). If the items are partially covered by such scheme or not covered, the 40% run-off rate applies (item 2252).

C. Worksheet 3. ‘Inflows’

In completing this worksheet, reporting institutions must consider the following:

i. Cash inflows are broken down into four broad categories: Secured Lending Inflows; Inflows Relating to Committed Facilities; Inflows from Specified Counterparties; and Other Cash Inflows, as set out in the guidance provided by the Central Bank.

ii. Reporting institutions must only include contractual inflows, including interest payments, from outstanding exposures that are fully performing and for which the reporting institution has no reason to expect a default within the 30-day time horizon.

iii. Contingent inflows, including facilities obtained from a central bank or other party must not be included in total net cash inflows.

D. Worksheet 4. ‘LCR Calculation’

No data is to be entered by the reporting institution in this worksheet. Items in this worksheet are automatically calculated based on the data provided by the reporting institutions in the previous worksheets.

The worksheet summarizes the key elements of the LCR numerator and denominator (Items 4.1 to 4.4) and automatically calculates the LCR as the ratio between the HQLA and the net cash outflows (item 4.5).