Central Bank of Trinidad & Tobago

Financial Stability Report

November, 2010

Central Bank of Trinidad and Tobago
P. O. Box 1250
Port-of-Spain
Republic of Trinidad and Tobago
www.central-bank.org.tt

ISSN 2076-7781 (Print)
ISSN 2076-7757 (Online)

Financial
STABILITY REPORT

November, 2010

Central Bank of Trinidad and Tobago

Financial Stability Report

Table of Contents

FINANCIAL STABILITY REPORT
November 2010

EXECUTIVE SUMMARY

The domestic financial system has had to weather several challenges during the year including the fall-out from the CL Financial /Colonial Life Insurance Company (Trinidad) Limited (CLICO) crisis and the effects of sluggish economic activity in the regional economies and at home. With unemployment in the domestic economy on the increase, weak consumer and investor confidence has led to a sharp fall in credit demand resulting in a significant increase in excess reserves balances held by commercial banks. This, in turn, has pushed short-term interest rates to record lows virtually eliminating the positive differential over US interest rates. Although the financial system has been negatively affected by the fragile economic conditions, the **key financial stability indicators still remain strong by regional and international standards**. The main highlights of the November 2010 Financial Stability Report are:

Commercial Banks

- **The commercial banks have continued to show a remarkable degree of resilience** even in the face of the global financial crisis, slower domestic activity and the difficulties being faced by Colonial Life Insurance Company (Trinidad) Limited (CLICO), British American Insurance Company (Trinidad) Limited (BA) and CLICO Investment Bank (CIB).

Prudential Ratios

- The less favourable domestic economic climate has led to an **increase in loan delinquency ratios in the banking system**, with the ratio of non-performing loans to gross loans rising to 3.9 per cent in September 2010 from 1.0 per cent at the end of 2008. These **non-performing loans are, however, largely confined to a few institutions that extended substantial amounts of funding for luxury residential real estate development**. The ratio of non-performing loans to gross loans has remained under 1.0 per cent for most other loan categories including real estate mortgages, overdraft facilities, installment and credit card loans.

- While banks were unable to maintain the same level of profitability as during the boom years of 2007-2008, **profitability ratios remained relatively strong even by regional and international standards.** While the weighted average deposit rate fell steadily to 0.97 per cent in September 2010 from 3.1 per cent at the end of December 2009, the weighted average lending rate declined only marginally to 10.28 per cent from 11.46 per cent over the same period. Accordingly, commercial banks were able to maintain quite a significant spread (9.3 per cent at end-September 2010) which has sustained profitability levels. Bank profitability has also been enhanced by lower operating expenses which, as a ratio of total operating income, fell to 57.9 per cent at end-September 2010 from 60.7 per cent at the end of 2009.

- Despite the increase in provisions, the banking system remains well capitalized (averaging around 19.5 per cent over the past three years) **with the level of regulatory capital to risk-weighted assets being well in excess of the minimum ratio of 8.0 per cent.** The capital adequacy levels reflect increased capital contributions, retained earnings and reserves. The high level of capitalization provides more than a sufficient buffer to cover the increase in non-performing loans.

Non-banks

- The adverse economic conditions have had a greater impact on the non-banks than on commercial banks. **Non-banks** reported a **significantly higher ratio of non-performing loans to total loans** (**11.7 per cent as at end-September 2010** from 1.6 per cent at the end of 2009) because of increased loan delinquency in their construction and real estate portfolios. To cater for higher loan delinquency, there has been a substantial increase in specific provisioning (around $252 million). **The sector recorded significantly lower profits** (**the return on assets and return on equity ratios fell to 1.3 per cent and 4.3 per cent at end September 2010**

from 2.6 per cent and 10.0 per cent, respectively for the comparative period in 2009) because of falling interest rates, lower fee income from reduced capital market activity and higher levels of provisioning.

Stress Testing the Commercial Banking Sector

- Trinidad and Tobago undertook its first stress test in the context of an IMF Financial Assessment Programme in 2005. Since that time, the recent global financial meltdown has underscored the need for financial systems to be better prepared to manage adverse shocks. Stress testing of financial systems has now fully emerged as an important mechanism for assessing the vulnerability of the portfolios of financial institutions to abnormal shocks or unfavourable conditions and are being carried out on a more routine basis in many advanced and emerging market economies.

- The stress testing exercise, which was conducted for each of the eight commercial banks and the banking industry as a whole, examined three major categories of risk: **market risk** (interest rate risk, foreign exchange risk and investment (equity) risk), **credit risk** (large exposure risk, real estate risk and sovereign risk) and **liquidity risk** using five **single factor tests** and three **scenario tests**. The single factor tests assessed interest rate, foreign exchange, property price, liquidity and large exposure risks while the scenario tests simulated the impact of a sharp deterioration in energy prices, a local natural disaster and a regional natural disaster.

- Among some of the main results of the stress tests based on end-2009 data, a 700 basis-points increase in interest rates resulted in an 11.5 per cent decline in the capital adequacy ratio (CAR) while a 30 per cent decline in property prices led to a 2 percentage points decline in CAR mainly because of the prudent provisioning policies adopted by commercial banks. With respect to energy prices, a 50 per cent drop in energy prices, in the absence of a policy response from the monetary authorities, resulted in a significant fall in the capital adequacy ratio from 20.5 per cent to 11.1 per cent, just above the statutory minimum of 8.0 per cent. The results of the stress tests indicate that while the commercial banking sector could sustain itself against considerable upward levels of stress, asset concentration needed to be carefully monitored as certain groups or sectors to which banks are exposed could face prolonged strains in a weak economic environment.

- The **limited impact of the shocks on the commercial banking system** was related to the **large capital buffer held by banks**, **the high liquidity position,** the **conservative banking practices that local banks hold with respect to the granting of credit** and **hedged foreign exchange positions**. The Bank intends to conduct these stress tests on a semi-annual basis in order to identify and strengthen vulnerable areas in the commercial banking sector. A similar stress test regime would be developed for non-bank institutions and the insurance sector by 2012.

Insurance

- During 2010, developments in the insurance industry were overshadowed by the on-going efforts to restructure CLICO and BA. The slowdown in the domestic economy and the negative impact of developments in CLICO and BA have tempered the overall performance of the sector.

- **Gross premium income for the life insurance industry fell by over 50 per cent in 2009** as sales of new single-annuity policies by CLICO and BA virtually dried up during the year. These two companies account for over 50 per cent of gross premium income of the insurance sector. With the impairment of certain CLICO/BA assets and with withdrawals of annuity-type deposits, there was also a 7.0 per cent decline in total assets of the life segment of the industry in 2009.

- **Excluding CLICO and BA however, total assets and gross premium income of the life sector grew by 8.6 per cent and 9.2 per cent, respectively in 2009**. The more favourable performance of the rest of the life industry suggests that the contagion impact of CLICO and BA was well contained.

- Excluding CLICO and BA, the life insurance industry was profitable in 2009 with all but two companies reporting gains in operating profits as companies benefited from both underwriting profits and investment income. Using a proxy for capital adequacy, the ratio of free capital and surplus to insurance policy holders liabilities measured approximately 25 per cent in 2009 and has averaged 23 per cent over the last five years. These ratios are well above the widely-used target of 5.0 per cent.

- By way of an amendment to the Insurance Act, the frequency of the reporting requirements for the Statutory Fund was changed from an annual to a quarterly basis. Companies that fall short of the requirements are required to replenish their assets during the course of the year rather than at year's end. **Data on statutory fund positions indicate that over the last three reporting quarters, the industry held an average margin of 7.3 per cent for life companies and 21.2 per cent for non-Life companies in excess of the liability requirements of the Statutory Fund**.

- Excluding CLICO and BA, the remaining life insurance companies have a smaller exposure to equities **(14 per cent of total assets)** and larger holdings of government securities **(28 per cent of total assets)**. This portfolio allocation reduces their vulnerability to market risks.

- Most of the larger non-life insurance companies are well capitalized and continue to earn healthy profits. The return on average shareholders' funds measured 13 per cent in 2009. There has been a tendency though among the smaller companies, especially those specializing in motor third-party insurance, to under-price risks and under-estimate claims reserves. The Bank has placed two motor insurers into liquidation over the past four years and is currently pursuing similar action against a third company.

Regulatory and Supervisory Developments

An IMF Mission visited Trinidad and Tobago in late October/ early November 2010 to conduct the first ever financial stability module under the Financial Sector Assessment Programme (FSAP). The Mission's preliminary report details progress in financial regulations for banks and insurance companies since the FSAP was conducted in 2005, and outlines recommendations for further enhancing the regulatory and supervisory environment:

Banking System

- The Draft Aide Mémoire acknowledges that the authorities have taken major steps to strengthen the regulation and supervision of banks through (i) the passage of the Financial Institutions Act (FIA), 2008 which provides for consolidated supervision and information sharing between the Central Bank and other authorities (both domestic and foreign) involved in financial sector supervision; (ii) the mandatory application by all licenses, both on an individual and consolidated basis, of capital adequacy requirements as well as limits on large exposures and connected party lending and (iii) the issuance of new or updated guidelines on corporate governance, impaired assets and consolidated prudential reporting.

- Additionally, the framework for Anti-money Laundering and Counter Terrorism Financing (AML/CFT) has been strengthened with the establishment of the Financial Intelligence Unit (FIU) under the FIU Act of 2009 and the renewal of the Financial Obligations Regulations (FOR) in 2010.

- Despite the recent progress, bank regulation and oversight need strengthening in the following areas:

  (a) Capacity building by way of additional specialists to assess banking risks related to Information technology (IT), market and AML/ CFT and to validate internal bank models;

  (b) Changing the 1994 prudential regulations by (i) extending risk coverage beyond credit and market risks to include operational risks;

(ii) reviewing the risk weighting of exposures to sovereigns in light of standards in Basel I and II and (iii) endowing the Central Bank with the power to deduct connected exposures from a bank's capital.

(c) Considering implementation of Pillars 2 and 3 of Basel II which are associated with the supervisory review of banks' capital needs and the disclosure of individual bank information.

Insurance Sector

- **The Draft Aide Mémoire also notes that considerable progress was made with the strengthening of the regulatory framework for the insurance sector since the conclusion of the FSAP Mission in 2005.** To deal with deficiencies in the current Insurance Act which virtually dates back to 1966 and which does not reflect best practices in legislation for financial institutions, the **Bank has issued guidelines to cover corporate governance, prudent lending and claims handling**.

- **A new Insurance Act** which reflects a risk-based approach to insurance regulation and supervision has been drafted following extensive consultations with the insurance industry. The risk-based capital system that will be implemented with this new law should be more effective in protecting policyholders. **To make the new law effective however, the adoption of critical reforms to strengthen investment requirements, corporate governance and financial reporting will be required.**

- **Insurance supervision** has been strengthened with a **more "hands-on" approach** to **supervision** being taken by the Central Bank after it took over the regulation of the sector at the end of 2004. Insurance companies are now subject to on-site inspection and have each been assigned a "relationship officer" who coordinates supervisory activity.

- **Important changes in financial reporting have been introduced and insurers are now required to file returns on a quarterly basis.** Prior to this, reports were filed on an annual basis. New standards for reporting policy-holder liabilities have been developed and "test runs" for the valuation of policy-holder liabilities have been conducted in parallel for the past three years using the Caribbean Policy Premium Method which is ready for adoption.

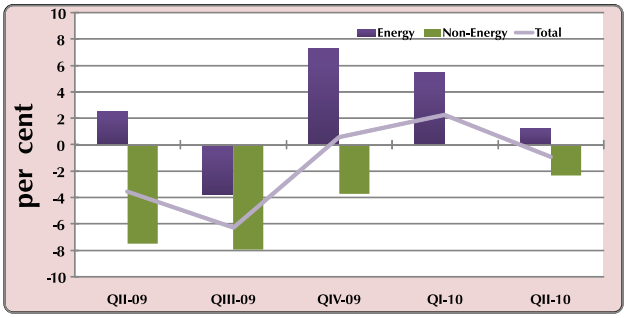
CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

Economic Activity in Trinidad and Tobago remained sluggish in the first half of 2010, following a 3.5 per cent contraction in GDP in the previous year. Available data also show a sharp rise in the unemployment rate in the first quarter while headline inflation surged into double digits for most of the year. A sustained domestic economic recovery remains elusive despite a modest fiscal stimulus, an accommodating monetary policy and evidence of a global turnaround. In this context, the main challenges for the domestic financial system were dealing with very low demand for credit and the increased probability that continued weakness in the economy could aggravate loan delinquency.

According to Central Bank estimates, the economy contracted by 0.9 per cent (year-on-year) in the second quarter of 2010 after two consecutive quarters of positive growth which was driven by the energy sector **(Chart 1.1)**. The second quarter decline was the result of slower growth in the energy sector and a sixth consecutive quarterly decrease in non-energy output. Construction, manufacturing, agriculture and distribution were some of the main sectors that exhibited lingering weaknesses into mid-2010.

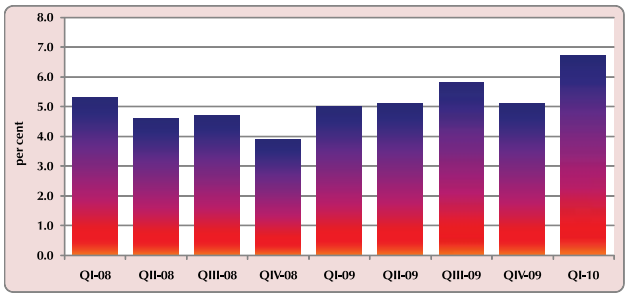
Chart 1.1
Real GDP Growth



Source: Central Bank of Trinidad and Tobago.

The latest official statistics show that the unemployment rate increased to 6.7 per cent in the first quarter of 2010, the highest since June 2007 **(Chart 1.2)**. During the quarter, there were 24,700 fewer persons with jobs than in the corresponding period of 2009, with job losses concentrated in the construction sector. With workers focused on job security, the size of wage settlements has been relatively moderate. Average weekly earnings in the manufacturing sector increased by 3.5 per cent on a year-on-year basis in the second quarter of 2010.

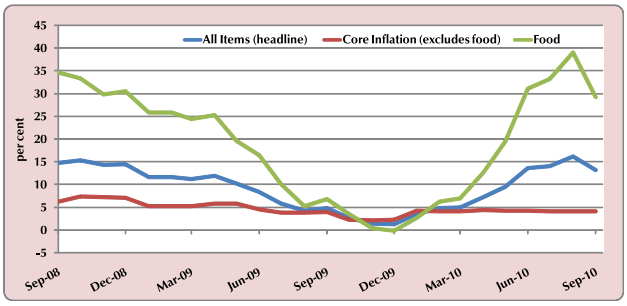
Chart 1.2
Unemployment Rate



Source: Central Statistical Office of Trinidad and Tobago.

Sparked by bad weather, food prices escalated in 2010 and pushed headline inflation to a high of over 15 per cent in August. Drought conditions and subsequent flooding took a severe toll on the output of locally grown food items, resulting in food price inflation reaching 39.1 per cent in August, from -0.2 per cent in December 2009. With the improvement in weather conditions and in supplies, food inflation dipped to 29.2 per cent in September, bringing headline inflation to 13.2 per cent. Core inflation (which excludes movements in food prices) remaining at around 4 per cent for most of 2010 in the face of weak demand and sizeable spare capacity **(Chart 1.3)**.

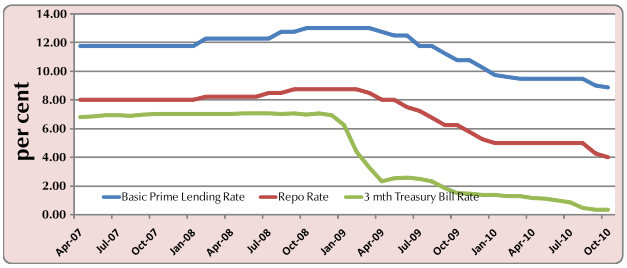
Chart 1.3
Inflation



Source: Central Statistical Office of Trinidad and Tobago.

Evidence of substantial slack in the economy and little demand pressures prompted the Central Bank to continue reducing the repo rate, moving it to a record low of 4.00 percent in October **(Chart 1.4)**. While commercial banks responded by lowering their lending rates, this did little to revive credit demand, particularly on the part of businesses. On a year-on-year basis, private sector credit granted by the consolidated financial system, which had been declining for almost a year, fell by 5.5 per cent in August 2010. The most resilient category of credit was mortgage loans which increased by a 12-month rate of 7.1 per cent as purchasers took advantage of softening property prices and the low mortgage rate environment.

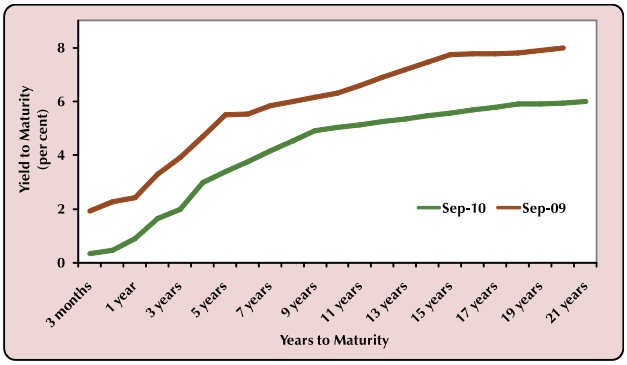
Chart 1.4
Repo Rate, Prime Lending Rate and 3-Month Treasury Bill rate



Source: Central Bank of Trinidad and Tobago.

Overall, banks have been flush with liquidity in 2010. Despite very low deposit rates, there has been continued strong growth in bank deposits during the year which have been boosted by transfers from mutual funds and annuity accounts to safer havens. Moreover, there has been a noticeable substitution towards demand and savings, as opposed to time deposits, suggesting that depositors/investors wish to maintain the flexibility to alter portfolios quickly once the investment climate becomes clearer. Commercial banks' average deposit-to-loan ratio reached 158 per cent while their reserves at the Central Bank in excess of the statutory requirement exceeded $3 billion by September 2010.

Chart 1.5
Trinidad and Tobago Government Yield Curve



Source: Central Bank of Trinidad and Tobago.

Trading activity on the stock market in 2010 has been higher than in 2009. Between January and September 2010, the volume of shares traded was about 12 per cent more than in the similar period of the previous year. However, the value of shares traded fell by more than half, from $1,254 million to $594 million, as trading was concentrated in lower valued (mostly cross-listed) shares. Meanwhile, public sector issuers dominated the bond market in 2010, unlike in 2009 when there was a more diverse range of borrowers.

Table 1.1
Selected Macroeconomic Indicators, 2001-2010
(in per cent unless otherwise indicated)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Real GDP Growth (year-on-year change) [1]	4.2	7.9	14.4	7.9	6.2	13.4	4.8	2.4	-3.5	-0.9
Energy	5.6	13.5	31.1	8.2	8.3	21.8	1.7	-0.2	2.6	1.2
Non-Energy	2.8	4.8	6.7	7.0	5.0	6.4	7.6	4.2	-7.2	-2.3
Construction	10.3	-5.1	23.4	8.1	16.1	6.2	7.1	4.5	-7.6	-8.9
Distribution	-2.8	1.3	2.0	3.2	4.5	15.1	3.3	9.8	-21.2	-5.1
Finance, Insurance and Real Estate	0.8	11.5	7.3	21.7	-2.4	1.0	10.4	3.7	-4.7	1.0
Inflation (12 month change) [2]										
Headline	3.2	4.3	3.0	5.6	7.2	9.1	7.6	14.5	1.3	13.2
Core	2.4	2.9	0.9	2.0	2.7	4.6	3.9	7.1	2.2	4.1
Food	7.5	11.0	12.3	20.6	22.6	22.0	16.8	30.6	-0.2	29.2
Unemployment Rate [3]	10.8	10.4	10.5	8.4	8.0	6.2	5.5	4.6	5.3	6.7
Equity Prices										
Composite Stock Price Index (1983=1000) [2]	434.2	545.6	694.1	1074.6	1067.4	969.2	982.0	842.9	765.3	821.7
Real Estate Prices										
Median House Price (TT$) [1]	577,750	627,375	721,481	835,475	951,250	1,065,000	1,076,994	930,000	853,750	850,000
Fiscal Balance/GDP (fiscal year)	1.6	-0.6	1.4	1.9	5.2	6.9	1.8	7.8	-5.3	2.8
Public Sector Debt/GDP (end of fiscal year) [4]	54.1	58.3	49.9	44.1	35.6	31.7	29.4	25.1	31.3	38.5
External Current Account/GDP	5.0	0.8	8.7	12.3	22.4	39.4	25.6	32.6	8.3	23.3
Net Official Reserves (US$Mn) [2]	1,694.7	1,743.9	1,991.3	2,522.9	3,998.8	5,117.6	6,658.7	9,364.2	8,651.6	9,085.4
Import Cover *(months)* [2]	5.6	5.5	5.4	6.9	8.9	9.9	9.4	11.5	12.4	13.1
Energy Prices [2]										
Petroleum (WTI - US$/bbl)	26.1	26.0	31.3	41.5	56.6	66.0	72.3	99.6	61.7	76.1
Natuarl Gas (Henry Hub - US$/mmbtu)	4.1	3.4	5.5	6.0	8.9	6.8	7.0	8.9	4.0	3.9
Methanol (US$/tonne)	198.1	163.5	256.8	264.5	284.1	376.4	434.2	504.0	241.0	328

Source: Central Bank of Trinidad and Tobago.

Notes:
* Latest available data: see notes below:
[1] For 2010: second quarter.
[2] For 2010: September.
[3] For 2010: first quarter.
[4] Excludes bills and notes issued for open market operations.

CHAPTER 2

THE BANKING SYSTEM AND FINANCIAL STABILITY

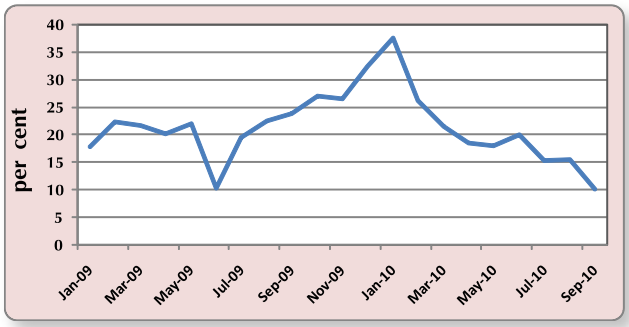
Introduction

The banking system has shown resilience in the face of the global financial crisis, the slowdown in domestic economic activity and the difficulties faced by Colonial Life Insurance Company (Trinidad) Limited (CLICO), British American Insurance Company (Trinidad) Limited (BA) and CLICO Investment Bank (CIB). This testifies to the underlying strength of the system and the steps taken by the Government and the Central Bank in early 2009 to maintain confidence and address contagion risks. The Government is now in discussions with representatives of CLICO/BA policy-holders on a resolution strategy. Early agreement on the implementation of a credible new strategy will help to consolidate financial sector confidence.

A. Commercial Banks

During the first six months of 2010, the commercial banking sector operated in an environment of economic stagnation, rising inflation and increasing unemployment. Notwithstanding easier monetary conditions, weakening private sector confidence led to a steady decline in outstanding bank credit. At the same time, the flight to quality, prompted by the CLICO events resulted in a vigorous growth in bank deposits. This led to a marked rise in bank liquidity, putting further downward pressure on short-term interest rates.

Chart 2.1
Commercial Banks Growth in Total Deposits
/Year-on-Year Percentage Change/



Source: Central Bank of Trinidad and Tobago.

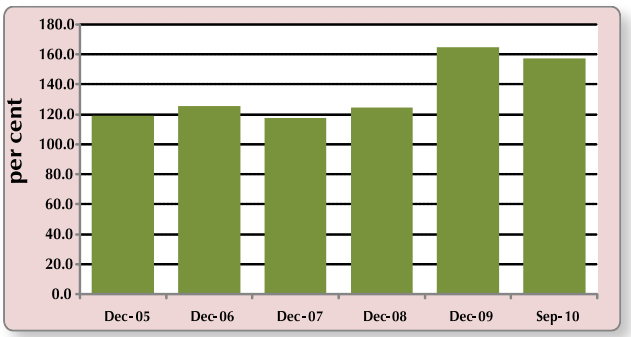
Bank Deposits

In the twelve months to June 2010, bank deposits increased by 20.0 per cent, stronger than the growth of 10.0 per cent reported for the comparative period of 2009. Given subdued economic activity, this sharp increase in bank deposits reflected growing uncertainty about the economic outlook **(see Chart 2.1)**. Consumers and business firms took a more cautious approach to spending, preferring instead to build up their deposit balances in the banking system. Consequently, the deposit-to-loan ratio rose sharply to 165 per cent in December 2009 from 125 per cent in December 2008 and has remained close to this rate in September 2010 (**Chart 2.2**).

Foreign currency denominated deposits rose on a year-on-year basis to June 2010 by 10.1 per cent (**Chart 2.3**). The sharp rise in foreign currency balances might be reflective of the significant narrowing of rates between local and foreign currency deposits as well as greater hedging by customers against exchange rate fluctuations. The interest rate differential between foreign currency and local currency deposits narrowed sharply to 0.26 basis points in September from 0.62 basis points a year earlier (**Chart 2.4**).

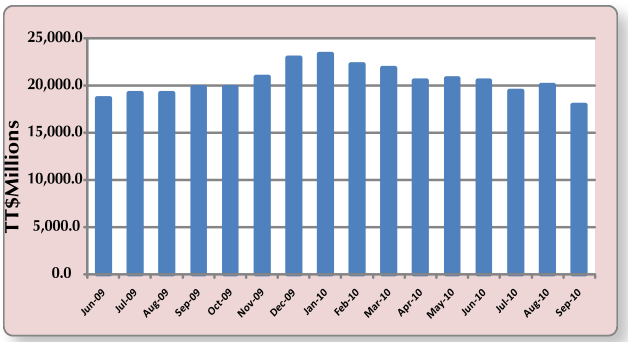
Recent data as at end September 2010 has indicated continued growth, albeit at a slower rate, in both local bank deposits (10 per cent) and foreign currency denominated deposits (9.7 per cent) (**Charts 2.1 and 2.3**).

Chart 2.2
Commercial Banks: Deposit to Loan Ratio



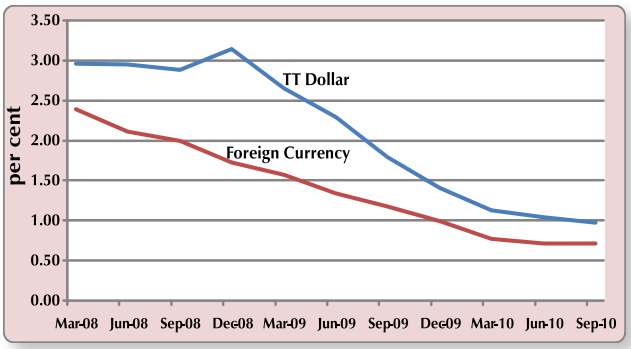
Source: Central Bank of Trinidad and Tobago.

Chart 2.3
Commercial Banks: Foreign Currency Deposits



Source: Central Bank of Trinidad and Tobago.

Chart 2.4
Commercial Banks: Weighted Average Deposit Rates TT-Dollar and Foreign Currency

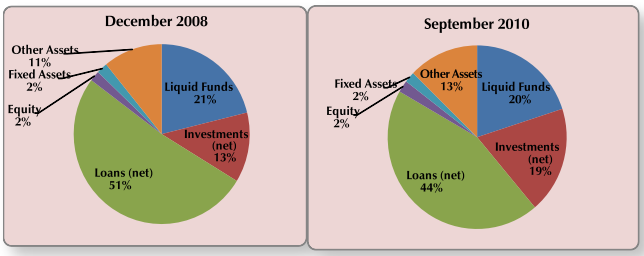


Source: Central Bank of Trinidad and Tobago.

Commercial Banks' Assets

Total assets in the commercial banking system rose by 6 per cent in the twelve months to September 2010, with most of the increase coming from the involuntary accumulation of liquid funds and from the growth in net investments. The mix in the commercial banks' asset portfolio exhibited some change with total loans, which traditionally contributed more than half of the total portfolio, falling to 44.5 per cent in September 2010 (**Chart 2.5**). The decline in the share of loans and advances in the asset portfolio mainly reflected lower business lending.

Chart 2.5
Commercial Banks: Asset Portfolio Mix



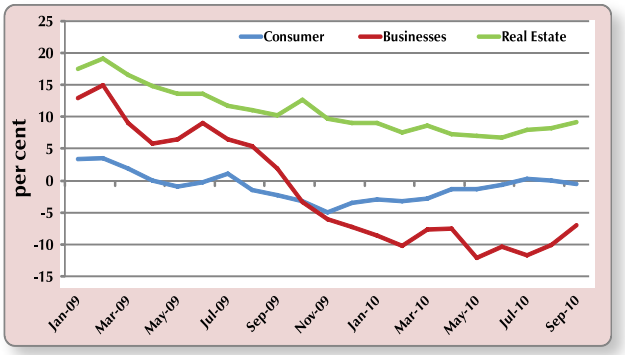
Source: Central Bank of Trinidad and Tobago.

A summary discussion of the main banking aggregates is presented below:

Private Sector Credit

Despite lower loan rates, private sector credit declined in all areas of lending, with the exception of real estate lending (**Chart 2.6**). Softer residential property prices, coupled with the fall in mortgage rates and aggressive marketing by commercial banks contributed to the growth in real estate mortgage lending. Real estate mortgage lending grew by 8.4 per cent on a year-on-year basis to September 2010, while loans to businesses fell by 6.8 per cent (year-on-year) in September 2010. Commercial and corporate businesses reacted to the slow-down in business and economic activity in 2010 by further reducing their overall level of indebtedness, mainly through the settlement of outstanding balances and non-renewal of overdraft facilities. The decline in consumer credit began to show some signs of bottoming out as lending to this sector contracted by 0.4 per cent in the twelve months to September 2010 compared with a decline of 2.2 per cent in September 2009.

Chart 2.6
Commercial Banks: Growth of Private Sector Credit Consumer, Business, and Real Estate
/Year-on-Year Percentage Change/



Source: Central Bank of Trinidad and Tobago.

Investments

The slower growth in public sector credit during the first nine months of 2010 is associated with (i) the accumulation in arrears by the public sector (ii) the absence of public sector bond issues due, in part, to the lack of room under the existing statutory ceilings for treasury bills and bonds and the delay in the appointment of the Board of The Securities and Exchange Commission, which has responsibility for approving new bond issues. For the year to date, there have also been no regional sovereign or corporate bond issues in the local financial market. The few government bonds that were issued during the period February – April 2010 were mainly to fund commitments related to CLICO.

Table 2.1
Trinidad & Tobago: Financial Soundness Indicators
2006 - September 2010

	2006	2007	2008	2009	Jun-10	Sep-10[p]
		(In percent, unless indicated otherwise)				
Capital adequacy						
Regulatory capital to risk-weighted assets	18.0	19.1	18.8	20.5	22.1	23.3
Regulatory Tier I capital to risk-weighted assets	16.2	17.0	15.5	18.5	18.4	18.5
Regulatory Tier II capital-to-risk-weighted assets	1.9	2.1	4.4	4.6	6.5	4.8
Regulatory capital-to-total assets	11.3	12.4	12.1	10.7	11.5	12.3
Banking sector asset composition						
Sectoral distribution of loans-to-total loans						
Households	41.3	41.4	39.9	39.8	40.9	40.3
of which:						
Proportion secured as mortgage loans	26.5	26.1	28.4	36.7	37.9	38.7
Financial sector	18.7	22.5	19.8	18.8	17.4	18.5
Oil and gas sector	3.8	2.8	3.3	3.2	3.5	3.5
Construction	6.5	6.1	6.8	10.3	11.4	12.3
Transport and communication	2.9	2.8	1.8	2.2	2.1	1.7
Non-residents	6.3	7.1	6.6	5.9	5.1	4.8
Geographic distribution of loans-to-total loans						
Domestic	93.9	93.3	93.6	94.5	95.4	95.5
Foreign	6.1	6.7	6.4	5.5	4.6	4.5
Foreign currency loans-to-total loans	22.9	21.4	23.0	22.8	20.2	20.0
Banking sector asset quality						
Nonperforming loans-to-gross loans	1.4	0.7	1.0	3.4	3.8	3.9
Nonperforming loans (net of provisions)-to-capital	2.3	-0.3	1.1	3.7	3.5	3.8
Specific provisions-to-impaired assets	60.9	109.7	72.4	85.1	72.7	61.0
Specific provisions-to-gross lending	0.8	0.8	0.7	2.4	2.8	2.4
Banking sector earnings and profitability						
Return on equity	27.7	27.3	25.9	20.2	17.4[e]	18.6[e]
Return on assets	3.4	3.4	3.5	2.7	2.3[e]	2.5[e]
Interest margin-to-gross income	61.7	61.4	65.2	66.6	68.5	67.5
Non-interest expenses-to-gross income	51.1	48.3	49.7	58.1	61.7	58.4
Spread between average lending and deposit rates	7.4	7.9	8.3	10.1	9.5	9.3
Banking sector liquidity						
Liquid assets-to-total assets	20.1	17.0	22.1	25.0	26.2	22.3
Liquid assets-to-total short-term liabilities	26.9	22.6	30.0	32.5	34.4	29.7
Customer deposits-to-total (non-interbank) loans	125.8	118.0	124.7	165.2	167.0	157.8
Foreign currency liabilities-to-total liabilities	34.6	33.8	32.7	33.1	30.8	27.4

Source: Central Bank of Trinidad and Tobago.

Regulatory Capital Ratios:
Note: Effective January 2008, the methodology for computing regulatory capital was changed to include market risk.
Equity Investments in Banking and Financial Subsidiaries are now deducted from Total Regulatory Capital and no longer considered as part of Risk Weighted Assets.

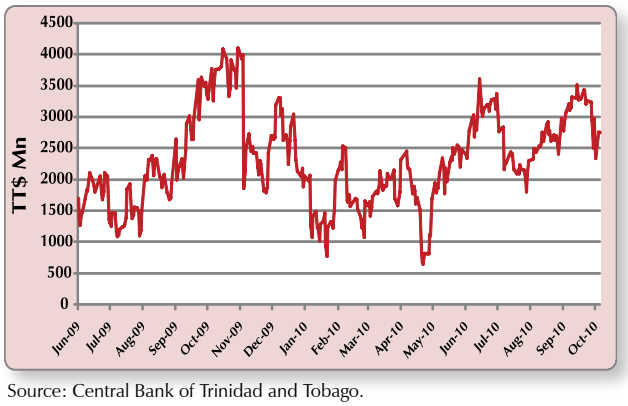
Prudential Indicators

A stable and efficient financial system is an important precondition for economic growth. At the same time however, macroeconomic developments also have an important bearing on financial stability. While the stagnation in economic activity and rising unemployment have had a negative impact on the main financial indicators, the system continues to be robust with the key financial stability indicators **(Table 2.1)** still remaining strong by regional and international standards.

Liquidity

In the past year, commercial banks have experienced a further involuntary strengthening of their liquidity position. Faced with declining credit demand and limited investment alternatives, commercial banks increased their reserves at the Central Bank and made short-term placements at foreign banks. Commercial banks' monthly average reserve balances in excess of statutory requirements reached as high as $3.3 billion in October 2010 from a monthly average of $1.6 billion in 2008 (**Chart 2.7**). These balances earn no return since the interest rate on excess reserves has been reduced to zero.

Chart 2.7
Commercial Banks: Excess Liquidity



Source: Central Bank of Trinidad and Tobago.

Foreign Country Exposure

Banks have been prudently managing their exposure so as to reduce the impact of declining economic activity in the region on their balance sheets. Commercial banks' foreign country risk exposure, made up of loans, equity and corporate and government securities, declined to 6.9 per cent in September 2010 (year-on-year) from 8.6 per cent in December 2009 (**Table 2.2**). On this basis, the risk exposure of the banking sector is relatively well contained and remains at a manageable level. Exposure to the CARICOM region fell to **$4 billion as at September 2010 from $4.9 billion in 2009,** as banks reduced their exposure to government securities in Barbados by $18.8 million and to loans in Jamaica by $241.2 million. Exposure to non-CARICOM Caribbean territories declined mainly on account of the repayment of existing loan balances and the reduction in the foreign currency value of loans extended to other government bodies, the private financial sector and the real estate sector.

Table 2.2
Commercial Banks: Foreign Country Risk Exposure
/TT$Millions/

	2007	2008	2009	Jun-10	Sep-10
Total Foreign Country Risk Exposure	**13, 882**	**9,217**	**10,248**	**8,269**	**7,856**
of which:					
USA	2,939	1,488	2,371	783	897
CARICOM	7,618	5,167	4,884	4,602	4057
Non-CARICOM CARIBBEAN	1,814	1,545	1,392	1,357	1,288
Memo Item					
Total Foreign Country Risk Exposure As a per cent of gross assets (%)	13.3	9.0	8.6	7.1	6.9

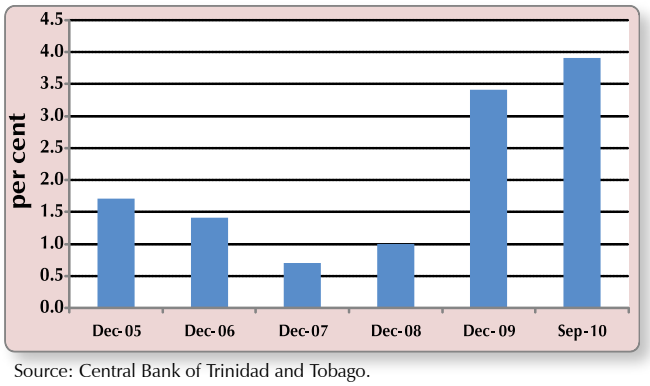
Source: Central Bank of Trinidad and Tobago.

Credit Quality

Economic stagnation and rising unemployment have led to an increase in loan delinquency in the banking system with the ratio of non-performing loans to gross loans rising to 3.9 per cent as at September 2010 from 1.0 per cent at the end of 2008 (**Chart 2.8**). However, the rise in loan delinquency has not been widespread and is largely confined to a few institutions that extended substantial amounts of funding for luxury residential real estate development. The marketability of these luxury residential properties was severely impacted by sluggish economic conditions. Commercial banks have increased specific provisioning to $1.1 billion as at September 2010 from $0.9 billion one year earlier to cater for these loans. Excluding these loans, the ratio of non-performing loans to total loans remained relatively low for most major loan categories:

real estate mortgages (0.2 per cent), overdraft facilities (0.1 per cent), installment loans (1.0 per cent) and credit card loans (0.1 per cent).

Chart 2.8
Commercial Banks:
Non-performing Loans to Total Loans



Source: Central Bank of Trinidad and Tobago.

Earnings and Profitability

The subdued economic environment has had a relatively limited impact on the earnings and profits of the commercial banking sector. Although banks were not able to maintain the same level of profitability in the 2007-2008 period, profitability ratios remained relatively strong even by regional and international standards. The return on equity (ROE) and return on assets (ROA) measured 18.6 per cent and 2.5 per cent as at September 2010, slightly down from the values of 20.2 per cent and 2.7 per cent respectively, reported in 2009 (**Chart 2.9**). These ratios compare well with ratios in the Caribbean region and in Latin America (**Table 2.3**).

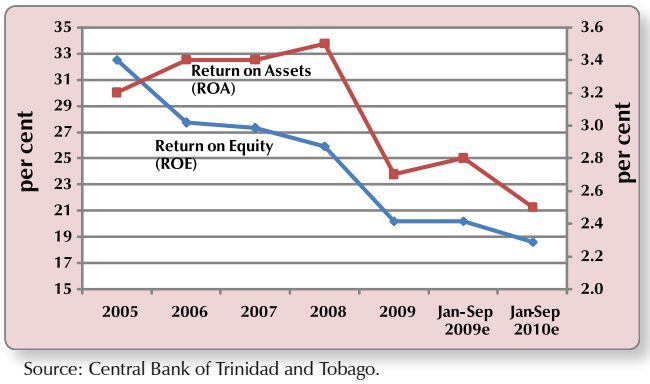
Table 2.3
Comparative Bank Soundness Indicators, 2006 - 2010

/Per cent/

	2006	2007	2008	2009	2010[p]
(i) Regulatory Capital to Risk Weighted Assets					
Brazil	18.9	18.7	18.3	18.8	18.5*
Chile	12.5	12.2	12.5	14.3	13.9
Colombia	13.1	13.6	15.4	17.2	17.6
Dominican Republic	12.4	13.0	13.4	14.5	n.a.
Mexico	16.1	15.9	15.3	16.5	17.6
Barbados	14.4	16.4	16.1	17.5	18.0
Guyana	15.4	15.0	14.9	18.3	19.0
Jamaica	16.1	14.5	13.9	18.3	19.0
Trinidad and Tobago	18.0	19.1	18.8	20.5	23.3
(ii) Non-Performing Loans to Total Loans					
Brazil	3.5	3.0	3.1	4.2	3.9*
Chile	0.8	0.8	1.0	2.9	3.3
Colombia	2.6	3.3	3.9	4.0	3.8
Dominican Republic	4.5	5.0	3.8	4.1	n.a.
Mexico	1.4	1.3	3.0	2.8	2.4
Barbados	4.5	2.9	3.4	7.2	9.9
Guyana	11.5	10.6	5.3	8.3	4.9
Jamaica	2.2	2.0	2.6	4.2	5.6
Trinidad and Tobago	1.4	0.7	1.0	3.4	3.9
(iii) Return on Assets					
Brazil	2.7	2.9	1.3	1.9	2.1*
Chile	1.3	1.1	1.2	1.5	1.9
Colombia	2.5	2.4	3.6	3.5	3.6
Dominican Republic	1.9	2.5	1.7	n.a.	n.a.
Mexico	3.1	2.7	1.4	1.5	1.9
Barbados	2.0	1.7	1.4	1.6	n.a.
Guyana	0.5	0.5	0.5	0.7	0.1
Jamaica	3.5	3.5	4.1	3.4	n.a.
Trinidad and Tobago	3.4	3.4	3.5	2.7	2.5[e]
(iv) Return on Equity					
Brazil	27.3	28.9	14.5	20.4	22.2*
Chile	18.6	16.2	18.5	21.4	23.6
Colombia	20.2	19.5	28.1	26.2	25.5
Dominican Republic	21.7	28.0	28.0	27.2	n.a.
Mexico	26.2	19.9	14.8	15.2	17.9
Barbados	17.9	18.8	16.1	16.2	n.a.
Guyana	6.9	6.8	6.3	6.7	5.9
Trinidad and Tobago	27.7	27.3	25.9	20.2	18.6[e]

* As at March 2010.
Source: Global Financial Stability Report and data from the Central Banks of Barbados, Guyana and Jamaica.
Figures for Trinidad and Tobago in 2010 are at end-September.
[e] Estimate.
[p] Provisional.

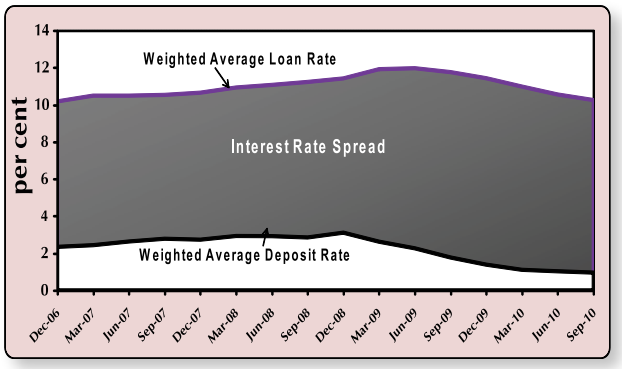
Chart 2.9
Commercial Banks:
Return on Assets and Return on Equity



Source: Central Bank of Trinidad and Tobago.

One major factor behind the strong earning and profitability figures (**Table 2.4**) has been the relatively sizeable spread between lending and deposit rates. While the weighted average deposit rate has fallen to 0.97 per cent in September from 3.1 per cent at the end of December 2009, the weighted average lending rate has declined only marginally to 10.28 per cent from 11.46 per cent over the same period, allowing commercial banks to maintain quite a significant spread of 9.3 per cent (**Table 2.5 and Chart 2.10**). Given that the excess reserves held at the Central Bank are not earning interest, commercial banks have not been eager to reduce lending rates too sharply. Banks profitability has also been enhanced by low operating expenses, which as a ratio of total operating income fell to 57.9 per cent in September 2010 from 60.7 per cent in 2009.

Chart 2.10
Commercial Banks:
Weighted Average Loan and Deposits Rates



Source: Central Bank of Trinidad and Tobago.

Capital Adequacy

The banking system has remained well capitalized with the level of regulatory capital to risk-weighted assets being 23.3 per cent as at September 2010, well in excess of the minimum requirement of 8.0 per cent. The growth in qualifying capital was assisted by a fall in risk-adjusted assets on account of the declining loan portfolio of commercial banks. Commercial banks therefore continue to hold sufficient capital to buffer credit risk.

Table 2.4
Commercial Banks: Summary Performance Indicators, 2006 – Sept 2010
/Per cent/

	2006	2007	2008	2009	Jun-10	Sep-10
Profitability						
Return on Assets	3.4	3.4	3.5	2.7	2.3[e]	2.5[e]
Return on Equity	27.7	27.3	25.9	20.2	17.4[e]	18.6[e]
Net Interest Margin/Total Assets	4.3	4.3	4.3	4.2	3.8	3.8
Efficiency						
Total Operating Expenses/Total Operating Income	67.5	64.7	63.9	60.7	61.3	57.9
Asset Quality						
Nonperforming Loans/Gross Loans	1.4	0.7	1.0	3.4	3.8	3.9
Nonperforming Loans Net of Provisions/Capital	2.3	-0.3	1.1	3.7	3.5	5.0
Nonperforming Loans by Type:						
Overdraft	0.4	0.1	0.2	0.2	0.2	0.1
Demand	0.5	0.2	0.4	1.6	2.1	2.2
Installment	0.2	0.2	0.2	0.9	1.0	1.0
Real Estate Mortgages	0.2	0.1	0.1	0.2	0.3	0.2
Credit Cards	0.1	0.0	0.1	0.1	0.0	0.1

Source: Central Bank of Trinidad and Tobago.
[e] Estimate.

Table 2.5
Commercial Banks: Interest Rate Spread and Interest Margin Ratios
/Per cent/

	Dec-06	Dec-07	Dec-08	Dec-09	Jun-10	Sep-10
Weighted Average Loan Rate	10.21	10.68	11.45	11.46	10.58	10.28
Weighted Average Deposit Rate	2.37	2.76	3.14	1.4	1.04	0.97
Interest Rate Spread	7.84	7.92	8.31	10.06	9.54	9.31
Net Interest Margin/ Operating Income	44.2	44.4	46.0	49.4	54.8[e]	54.5[e]
Net Interest Margin/ Average Total Assets	4.31	4.32	4.26	4.16	3.79[e]	3.81[e]

Source: Central Bank of Trinidad and Tobago.
[e] Estimate.

B. Non-Bank Financial Institutions

The adverse economic conditions have had a more severe impact on the non-banks than on the commercial banks. The non-bank sector, which largely comprises finance houses and merchant banks, experienced a sharp deterioration in asset quality as well as a decline in profitability in 2010.

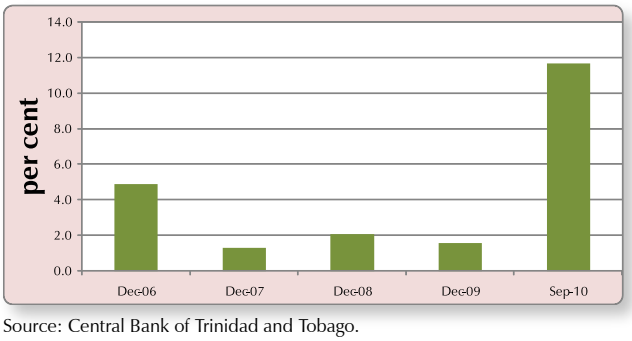
With respect to credit demand, like in the case of the commercial banks, non-bank financial institutions were also impacted by the stagnant economy. In the twelve months to September 2010, notwithstanding lower loan rates, private sector credit by non-bank financial institutions declined by 16.2 per cent compared with growth of 0.3 per cent in December 2009. Business lending, which accounts for a significant proportion of the loan portfolios of non-bank financial institutions (more than 90 per cent), declined by 5.4 per cent in September 2010 compared with growth of 66.3 per cent in December 2009 (**Chart 2.11**). Much of this decline occurred in the luxury segment of the real estate market as well as in the construction sector.

Chart 2.11
Non-Banks:
Overall and Business Lending

Source: Central Bank of Trinidad and Tobago.

Non-banks also reported a significant **deterioration in asset quality** in September 2010. The ratio of non-performing loans to total loans increased to 11.7 per cent as at end-September 2010 from 1.9 per cent a year ago (**Chart 2.12**). Two non-banks reported increased levels of delinquency in their construction and real estate portfolios. This sharp increase in loan delinquency had mainly to do with the fall in the demand for properties in the luxury segment of the real estate market as well as delays in the completion of some residential luxury apartments and condominiums. In order to cater for the higher loan delinquency, non-banks increased specific provisions by to $281 million in September 2010 from $29.2 million in December 2009.

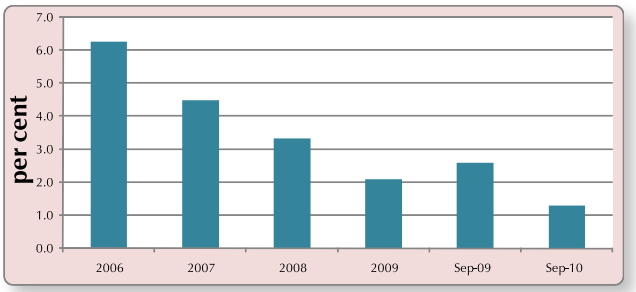
Chart 2.12
Non-Banks:
Non-performing Loans to Gross Loans



Source: Central Bank of Trinidad and Tobago.

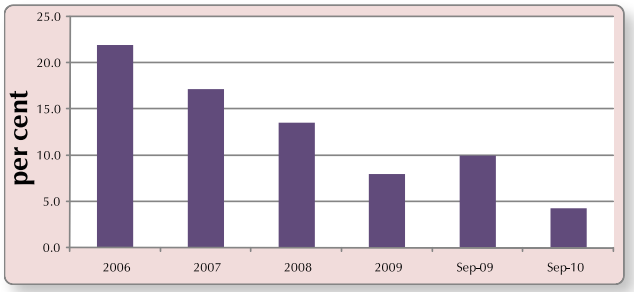
The **profitability** of the sector has been on the decline in 2010 largely due to falling interest income and higher levels of provisioning. Reduced capital market activity has also contributed to a decline in fee income. As a result, the non-banks reported a return on assets ratio of 1.3 per cent at end-September 2010 as against 2.6 per cent for the comparative period in 2009 (**Chart 2.13**). The return on equity also fell sharply to 4.3 per cent at end-September 2010 from 10.0 per cent at the end of September 2009 (**Chart 2.14**). Faced with increased levels of liquidity in the financial system and with declining levels of profitability, the non-banking sector undertook more active management of its operating expenses, in part, by lowering rates on deposits. This sector generally has higher funding costs because of the longer term deposits in their portfolio and because some institutions in this segment of the market operate with customers that have higher risk appetites. These measures enabled the sector to achieve an improvement in its efficiency ratios, as the ratio of operating expenses to total operating income fell to 53.9 per cent in September 2010 from 59.1 per cent in the corresponding period in 2009 (**Table 2.6**).

Chart 2.13
Non-Banks:
Return on Assets Ratio



Source: Central Bank of Trinidad and Tobago.

Chart 2.14
Non-Banks
Return on Equity Ratio



Source: Central Bank of Trinidad and Tobago.

Table 2.6
Non-Banks*:
Summary Performance Indicators, 2006-2010

/Per cent/

	2006	2007	2008	2009	Sep-09	Sep-10[p]
Profitability						
Return on Assets	6.3	4.5	3.3	2.1	2.6[e]	1.3[e]
Return on Equity	21.9	17.1	13.5	8.0	10.0[e]	4.3[e]
Net Interest Margin/ Total Assets	2.8	2.4	2.6	2.9	2.1[e]	2.1[e]
Efficiency						
Total Operating Expenses/ Total Operating Income	51.3	57.6	71.2	73.2	59.1	53.9
Asset Quality						
Nonperforming Loans/ Gross Loans	4.9	1.3	2.1	1.6	1.9	11.7
Nonperforming Loans Net of Provisions/ Capital	3.9	-0.4	1.7	1.3	1.7	8.2

Source: Central Bank of Trinidad and Tobago.
*:Effective January 30, 2009, the Central Bank assumed control of Clico Investment Bank under Section 44(d) of the Central Bank Act.
As a consequence, data reported do not include balances for Clico Investment Bank for comparability purposes.
[e] Estimate.
[p] Provisional.

Over the last two years, the non-bank financial institutions held a relatively larger share of their financial assets in the form of loans rather than investments. Prior to 2008, the asset portfolio of non-banks was dominated by investments in securities issued by the Government and by corporate entities. With falling interest rates and rising prices in the real estate sector, non-banks shifted a significant proportion of their assets into loans to the high-end real estate sector as well as to construction activity. At the end of September 2010, loans (net) held by the non-banks accounted for 39.3 per cent of the asset portfolio compared with 28.3 per cent at the end of 2008 while the investment portfolio shrunk to 28.8 per cent as at end-September 2010 from 35.1 per cent at the end of 2008 (**Table 2.7**).

Table 2.7
Non-Banks: Distribution of Assets
/Per cent/

	Dec-05	Dec-06	Dec-07	Dec-08	Sep-09	Dec-09	Sep-10
Liquid Funds	10.9	9.4	16.3	13.9	13.8	16.1	11.0
Investments (net)	43.4	37.0	33.7	35.1	28.1	27.7	28.8
Loans (net)	31.2	39.5	28.1	28.3	36.3	34.8	39.3
Businesses	22.6	27.8	18.7	18.9	25.2	24.1	29.2
Consumers	6.9	8.0	7.4	7.2	7.0	6.8	7.7
Customer Liabilities Acceptances	0.4	0.4	0.0	0.0	0.0	0.0	0.0
Equity in Subsidiaries and Affiliates	4.6	4.6	3.9	4.8	5.1	5.0	5.8
Accounts Receivable	3.2	4.0	2.7	3.5	2.5	2.1	2.6
Fixed Assets	1.2	1.3	1.0	1.1	1.1	1.1	1.0
Prepaid & Other Assets	5.1	3.7	14.2	13.3	13.1	13.3	11.5
Total Assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

CHAPTER 3

STRESS TESTING THE COMMERCIAL BANKING SECTOR

Background

The recent global financial crisis has brought heightened attention to the need for financial systems to be better prepared to deal with adverse shocks. As a way of simulating the impact of shocks, stress testing has emerged as an essential component of financial risk management. The process assesses the impacts of extreme but plausible changes (or shocks) on a company's financial position. The tests can be mounted with varying degrees of sophistication, ranging from a simple examination of how a small firm's profits would change if interest rates rise by 1 per cent, to an elaborate assessment of multilateral banks' exposure to sovereign risk. Such analyses can be particularly important for financial regulators by allowing for early recognition of vulnerabilities and have become more prominent worldwide.

Some of the main risks that are typically evaluated include: (i) ***interest rate risk***—which estimates the erosion in the value of an institution's balance sheet as interest rates move; (ii) ***foreign exchange risk***—associated with potential losses by an institution holding foreign currency-denominated instruments; (iii) ***credit risk***—related to the inability of counterparties to meet their obligations when due; (iv) ***large exposure risk***—refers to the possibility of a decline in the quality of loans to and investments in counterparties, groups or sectors to which an institution is heavily exposed; (v) ***liquidity risk***—linked to the inability to fulfill payment obligations in a timely manner because of inadequate liquid funds; (vi) ***investment risk***—due to default or adverse movements in market prices; and (vii) ***sovereign risk***—the risk of a government defaulting on its loan obligations or reneging on loan guarantees.

Scope of the stress tests for Trinidad and Tobago

In 2005, several stress tests were conducted on the banks in Trinidad and Tobago as part of a Financial Sector Assessment Program (FSAP). Using data at December 31, 2004, this exercise examined interest rate, exchange rate and credit risks as well as the spillover effects of a decline in energy prices. The 2010 exercise discussed in this Chapter builds on this prior work, updating the information to December 2009 and extending the range of tests to include liquidity and large exposure risks. Three scenarios are also included to simulate a large drop in international energy prices, a local natural disaster and a regional natural disaster. The exercise covered all eight commercial banks and system results are discussed in this Chapter.

Several important features at the end of 2009 created a relatively favorable starting point for the banking system as a whole for the stress tests. These included: (i) strong capitalization; (ii) high liquidity; and (iii) generally long foreign exchange positions. It must, however, be emphasized that there was dispersion across banks in these characteristics, as well as in the maturity composition and concentration in their portfolios.

Except for the liquidity test, the exercises tested the immediate impacts of the shocks on banks' Capital Adequacy Ratios (CARs). The metric used to assess the resilience of the banks to liquidity risk was the "number of days until illiquidity". The magnitudes of the shocks were chosen based on an assessment of "extreme but plausible" vulnerabilities given the experience of the financial system in Trinidad and Tobago and economic conditions at the end of 2009. Likewise, the scenario tests were developed by assessing how the macroeconomic shocks would translate into a combination of individual factor shocks, e.g. an energy price shock would involve simultaneous changes in exchange rates, interest rates and credit conditions. **Table 3.1** summarizes the shocks and the main accompanying assumptions.

Interest Rate Risk

The interest rate sensitivity test assessed the impact of a parallel upward shift of the yield curve by 700 basis points and a parallel downward shift of the yield curve by 100 basis points. The results suggest that commercial banks manage their interest rate risk adequately and have the capacity to withstand significant levels of stress. Commercial banks as a whole displayed a low duration in their portfolios: 76 per cent of bank assets and 93 per cent of bank liabilities were due to re-price within 12 months of December 31, 2009, indicating low interest-rate sensitivity. The commercial banking system withstood the two versions of the interest rate shock, maintaining a CAR above the 8 per

cent statutory minimum. The 700 bps increase in interest rates resulted in an 11.5 per cent fall in the CAR to 9 per cent, while the 100 bps decline in interest rates increased the CAR by 1.5 per cent to 22 per cent (**Table 3.2**).

Table 3.1
Stress Testing: Shocks and Assumptions

	Shocks & Scenarios	Assumptions
1.	Interest Rate	A parallel upward shift of the yield curve of 700 basis points. A parallel downward shift of the yield curve of 100 basis points.
2.	Foreign Exchange	A 40 per cent depreciation of the Trinidad and Tobago dollar against major trading currencies.
3.	Credit	A 30 per cent decline in asset quality in all economic sectors.
4.	Property Price	A 30 per cent decline in property prices representing a decline in asset quality in the construction and real estate sectors only.
5.	Large Exposure	Shocks were applied to asset blocs in each bank's top three areas of economic sector exposure as well as its top three areas of exposure to institutional groups: • Loans: 100 per cent of loans experience a decline in quality to the 'doubtful' category, requiring additional provisioning of 50 per cent of the outstanding balance. • Other Assets: A 50 per cent decline in asset value.
6.	Liquidity	A 30 per cent deposit run in a 30-day period.
7.	Energy Price Decline	***No Policy Response by Monetary Authorities*** • 22 per cent decline in total GDP resulting in increases in past due loans due to declining income and increased unemployment. • 20 per cent depreciation of the exchange rate. • 500 bps increase in domestic interest rates. ***Policy Response by Monetary Authorities*** • 22 per cent decline in total GDP resulting in increases in past due loans. • 40 per cent depreciation of the exchange rate. • 100 bps decrease in domestic interest rates.
8.	Natural Disaster in Trinidad and Tobago	• 20 per cent decline in real GDP resulting in increases in past due loans. • 40 per cent depreciation of the exchange rate. • 100 bps decline in interest rates. • 20 per cent write-off in the market value of local investments. • Application of a 20 percent risk weight to Trinidad and Tobago sovereign securities.
9.	Natural Disaster in the Caribbean Region	• 10 per cent decline in GDP in Trinidad and Tobago through trade linkages, causing increases in past due loans. • 20 per cent provisioning requirement for private sector loans to the region. • 25 per cent write-off in the market value of financial investments in the region. • Application of a 100 per cent risk weighting to claims on regional public sector entities.

[1]The Capital Adequacy Ratio (CAR), or the proportion of regulatory capital to risk-weighted assets, is the main prudential indicator monitored by the Central Bank. The regulatory capital adequacy requirement currently stands at 8 per cent. CARs could be over- or understated if they do not incorporate correct provisions for impaired assets. Where this was the case, the reported CARs for December 2009 were adjusted. Coincidentally, the extent of under provisioning by some institutions exactly offset the amount of over provisioning by others, so that the adjusted CAR for the system as a whole remained the same as the unadjusted CAR (20.5 per cent).

Table 3.2
Stress Testing: Single Factor Stress Test Results
Commercial Banks

2010 Stress Testing Results	Test Variables	Capital Adequacy Ratio
	Pre-Shock CAR	20.5%
	CAR Adjusted for Guideline Provisioning	20.5%
	Post-Shock CAR	
Single Factor Tests		
1 - Interest Rate Risk	Interest Rate ↑ 700 basis points	9.0%
	Interest Rate ↓ 100 basis points	22.0%
2 - Foreign Exchange Risk	TT dollar depreciates by 40 per cent	21.3%
3 - Credit Risk	Credit Portfolio worsens by 30 per cent across the board	18.8%
4 - Credit Risk - Property Price Shock	Property Prices ↓ 30 per cent	18.5%
5 - Credit Risk - Large Exposures	Large Exposure – Sectors (50 per cent shock)	
	Sector 1	Real Estate: 16.4%
	Sector 2	Other Services: 17.1%
	Sector 3	Financial Sector: 17.2%
	Large Exposure – Groups (50 per cent shock)	
	Group 1	Group 1: 12.4%
	Group 2	Group 2: 18.1%
	Group 3	Group 3: 19.0%
6 - Liquidity Risk	Bank Run	Days until illiquid
		67

Foreign Exchange Risk

The foreign exchange test measured the impact of a 40 per cent depreciation of the Trinidad and Tobago dollar against major currencies. The CAR of the banking system actually improved from 20.5 per cent to 21.3 per cent. This was due to the fact that the system had a long position in foreign currency at end December 2009. In terms of distribution across institutions, most banks held long positions although a few banks have tended to follow a policy of maintaining limited short positions. For the latter group, their CARs would have declined slightly following the test. Overall, the commercial banks in Trinidad and Tobago were well hedged against large exchange rate variations.

Credit Risk

This test estimated the effect of a broad-based economic slowdown resulting in a decline in the asset quality. This was manifested in an increase in past due loans, requiring additional provisioning. The commercial banking system showed little vulnerability to this credit risk, with the CAR declining by 1.7 percentage points from 20.5 per cent to 18.8 per cent. This was largely due to the traditionally conservative stance adopted by local banks in granting loans so that the volume of past due loans was relatively low from the onset. The results varied somewhat across banks with the most significant reduction in the CAR being 2.5 per cent. With evidence that the incidence of non-performing loans has risen in 2010 (to around 4 per cent

of gross loans at midyear compared to about 2 per cent at the end of 2009), however, banks need to maintain strict vigilance with respect to credit risk.

Property Price Risk

The property price risk test evaluated the impact upon each institution's assets and liabilities of a sudden large (30 per cent) drop in property prices. The commercial banking system as a whole showed little vulnerability to property price risk, with the CAR declining by 2 percentage points from 20.5 per cent to 18.5 per cent. This outcome was influenced by the generally prudent provisioning policies commercial banks in Trinidad and Tobago adopt to guard against delinquencies of loans associated with real estate. Nonetheless, a few institutions did exhibit some exposure to the real estate sector that needs to be closely monitored, with the CAR declining by as much as 9.5 per cent in one case. In particular, loans for construction activity could be especially sensitive to the state of the economy—up to late 2010, softening house prices and sluggish economic activity have continued to negatively impact on the viability of some large high-end residential construction projects.

Large Exposure Risk

The large exposure test gauged the sensitivity of each bank to asset quality deterioration in those areas (economic sectors or business groups) where their portfolios were most concentrated. At the end of December 2009, the 3 sectors of heaviest exposure for the commercial banking system as a whole were the Other Services, Real Estate and Financial Sectors. Overall, the banking system showed no significant vulnerability to the 3 sectors to which it was most exposed—the CAR fell by around 5 per cent in each case. For individual banks, the situation is somewhat different, with some of the institutions displaying a fair degree of exposure to the Construction sector as a result of credit extended for project financing and, to a lesser extent, the Manufacturing and Distribution sectors. In terms of exposure to particular borrower groups, the banking system as a whole did exhibit a significant degree of concentration at the end of 2009. A shock to the loans of the largest group caused the banking system's CAR to decline by over 8 percentage points.

Table 3.3
Stress Testing: Single Factor Stress Test Results
Commercial Banks

2010 Stress Testing Results	Test Variables	Capital Adequacy Ratio
	Pre-Shock CAR	20.5%
	CAR Adjusted for Guideline Provisioning	20.5%
	Post-Shock CAR	
Scenario Tests		
7 - Energy Price Shock	Energy Price ↓ 50 per cent	
	No Monetary Policy Response	11.1%
	Policy Response	21.1%
8 - Local Disaster Scenario	Local Natural Disaster	19.6%
9 - Regional Disaster Scenario	Regional Natural Disaster	18.9%

[2] The category Other Services primarily includes personal, educational and administrative services.
[3] The 30-day-to-illiquid threshold was used in the stress tests in Barbados and Jamaica (2006) and Barbados (2009).

Liquidity Risk

The test assumed a sudden deposit run on banks at the rate of 1 per cent of deposits per day. The simulation showed that the banking system became illiquid after 67 days, well above the 30-days-to-illiquid threshold. This result was not surprising given the high levels of liquid funds held by banks at the end of 2009, and indeed for much of 2010. At December 31, 2009 commercial banks' liquid funds to total assets and liquid assets to total liabilities ratios were 25 and 32.5 per cent, respectively. Moreover, almost 50 per cent of bank investments were readily marketable and hence accessible in case of unexpected withdrawals by customers.

Results of Scenarios Shocks

Energy Price Decline

For this shock, it was assumed that a 50 per cent drop in energy prices would lead to an increase in interest rates, a depreciation of the exchange rate and an increase in past due loans. An alternative version was also produced to incorporate a reaction by the monetary authorities to dampen the shock by adopting policies to lower interest rates and allowing for further exchange rate depreciation.

With no monetary policy response, the CAR of the banking system fell significantly from 20.5 per cent to 11.1 per cent; close to the 8 per cent statutory minimum **(Table 3.3)**. Clearly then, a sudden and significant drop in energy prices could, in the absence of a policy response by the authorities (or other adjustments by banks themselves) have a large impact on the banking system. The picture changed significantly when the monetary policy response was taken into account. In essence, the decline in interest rates and larger depreciation both improved banks' position enough that the system CAR actually rose slightly.

Natural Disaster in Trinidad and Tobago

The local natural disaster scenario simulated the impact of an event such as a hurricane or major earthquake. It entailed, in this case, a decline in interest rates (due to immediate monetary policy reaction), currency depreciation and an increase in credit risk. It was also assumed that the banks would experience losses to the financial assets on their books, including on government securities. Interestingly, there was very little impact on the domestic banking system as a whole (and indeed for most individual banks). The CAR fell by just under one percentage point. Essentially, the negative effects of the credit and investment shocks were largely offset by the impacts of currency depreciation and the decline in interest rates.

Natural Disaster to Regional Trading Partners

The risk of a powerful hurricane sweeping across the Caribbean was one concern that motivated the setting up of the regional natural disaster test. It was anticipated that Trinidad and Tobago's banks would be impacted through trade and financial channels. Specifically, exports to the region would plummet, affecting the profits of local exporting companies and eventually domestic output (trade channel), while bank loans and investments to the region would become much more risky (financial channel). The results indicate that, primarily because of relatively low direct asset exposure to other Caribbean countries, the domestic banking system was not particularly vulnerable to shocks occurring in the CARICOM region. The CAR of the banking system fell to 18.9 per cent with both the credit and investment shocks having moderate negative effects.

Conclusion

The results of the exercise revealed that, based on end-2009 data, the commercial banking system in Trinidad and Tobago can sustain itself against considerable upward levels of stress. In particular, the system as a whole remained well capitalized following a range of single factor and scenario shocks. The largest impact occurred in the case of a large increase in interest rates, partly reflecting the severe nature of this shock but also the maturity mismatch that characterizes most banking operations. Conservative banking practices and hedged foreign exchange positions dampened the impact of the credit shock and actually led to a positive outcome following simulated exchange depreciation.

Results of the large exposure tests generally point to little systemic risk. Nonetheless, asset concentration needs to be very closely monitored at the individual bank level as certain groups or sectors to which banks are exposed could face severe

and prolonged strains in a weak economic environment. The liquidity tests showed that banks are generally in a strong position to meet unexpected withdrawals from their customers. Strong resilience on the part of the banks was also evident in the results of the three scenario tests.

Several factors contribute to the strong system-wide results of the stress tests. One important contributor is the large buffer, or high capital, that most banks held at the end of 2009. Consequently, even the intense movement in interest rates did not result in the system's CAR declining to below the 8 per cent statutory minimum. Holding a comfortable buffer is clearly desirable the more uncertain is the economic outlook and the more susceptible banks are to certain shocks. The second factor is the high liquidity cushion that banks held at the end of 2009 and continued to maintain into late 2010, which help to insulate them against a sudden deposit run. The third main factor is the conservative position that local banks tend to hold with respect to the granting of credit and in the foreign currency market. "Sub prime" activities generally do not feature in domestic banks' balance sheets and most banks hold either long or very limited short positions in foreign exchange.

In interpreting the results, it is important to guard against complacency. International and domestic conditions change, new financial instruments emerge and fresh shocks may arrive from unexpected quarters. Regular updating and refining of the stress tests can be an important tool in coming to terms and dealing with potential financial system vulnerabilities. In this regard, the Central Bank intends to continue conducting the tests on the commercial banks on a semi-annual basis and eventually extend the analyses to other financial institutions.

CHAPTER 4

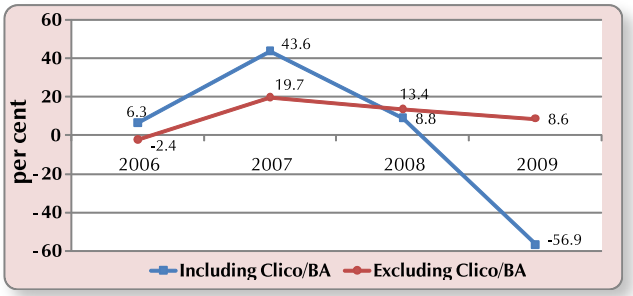
THE INSURANCE SECTOR

Developments in the insurance sector in 2009-2010 were overshadowed by the Government's on-going efforts to restructure Clico and BA, following intervention by the Central Bank in early 2009. In 2008, these two companies accounted for 49 per cent of the total assets of the insurance sector. Based on the statutory returns for all insurance companies for the year-ended December 31, 2009, there was a significant fall in gross premiums and a small decline in total assets from the previous year. Most of this reflected the "Clico effect" although the economic slowdown also had some impact on the demand for insurance products. Excluding Clico and BA, the sector showed modest gains in both aggregates: 6 per cent in gross premiums and 10 per cent in assets.

A. Life insurance

Gross premiums declined by 57 per cent in 2009, as new premium income into Clico and BA virtually dried up following the acute liquidity problems and subsequent Central Bank intervention into the two companies (**Chart 4.1**). The reduction was largely related to the sales of single-premium annuity policies, which represented about 90 per cent of the premium income of Clico/BA over the last few years. For the two intervened companies, premiums in respect of traditional insurance products continued to be paid although there was some decline compared with previous years.

Chart 4.1
Life Insurance Industry: Growth in Gross Premium Income
/ Year-on-year Per cent Change/



Source: Central Bank of Trinidad and Tobago.

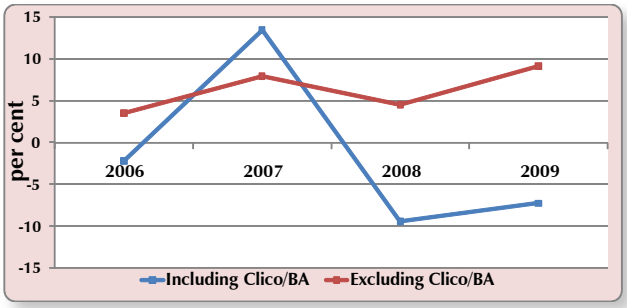
Table 4.1
Life Insurance Industry: Liability Structure
2005-2009

	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
	/ TT$ Mn/					/Per cent/				
Including Clico and BA										
Ordinary Life	3,268	3,630	3,934	4,709	4,427	29.9	25.2	19.4	20.5	20.0
Group Life	57	159	60	63	82	0.5	1.1	0.3	0.3	0.4
Group Pension	2,118	5,782	10,669	12,298	10,694	19.3	40.1	52.6	53.4	48.2
Deposit Administration	917	532	598	668	682	8.4	3.7	2.9	2.9	3.1
Individual Annuities	1,876	2,070	2,501	3,000	3,721	17.1	14.3	12.3	13.0	16.8
Unit Linked Funds	2,165	1,689	1,963	2,129	2,377	19.8	11.7	9.7	9.2	10.7
Other	547	566	572	152	206	5.0	3.9	2.8	0.7	0.9
Total	**10,948**	**14,429**	**20,298**	**23,019**	**22,187**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Excluding Clico and BA										
Ordinary Life	2,337	2,702	2,923	3,731	3,370	33.0	35.7	35.1	41.2	35.1
Group Life	38	140	42	45	57	0.5	1.9	0.5	0.5	0.6
Group Pension	350	372	403	383	399	4.9	4.9	4.8	4.2	4.2
Deposit Administration	527	532	598	668	682	7.4	7.0	7.2	7.4	7.1
Individual Annuities	1,598	1,564	1,836	1,938	2,516	22.6	20.7	22.0	21.4	26.2
Unit Linked Funds	1,679	1,689	1,963	2,129	2,377	23.7	22.3	23.5	23.5	24.7
Other	547	566	572	152	204	7.7	7.5	6.9	1.7	2.1
Total	**7,077**	**7,566**	**8,336**	**9,045**	**9,603**	**100**	**100**	**100**	**100**	**100**

Source: Central Bank of Trinidad and Tobago.

Excluding Clico and BA, gross premium income rose by 8.6 per cent in 2009, following an annual rise of 13.4 and 19.7 per cent in the two previous years. In terms of percentage growth by line of business, the growth in premium income was mainly due to ordinary life, followed by individual annuities, health insurance and pensions (**Table 4.1**). Excluding Clico and BA, individual annuities accounted for 20 per cent of total premium income while ordinary life products accounted for 43 per cent.

Chart 4.2
Life Insurance Industry: Growth of Total Assets



Source: Central Bank of Trinidad and Tobago.

In terms of the liability structure as at end December 2009, excluding Clico/BA, individual annuities and unit-linked products comprised approximately 51 per cent of insurance liabilities, ordinary life accounted for approximately 35 per cent with the remainder largely comprising group pensions and deposit administration (**Table 4.1**). This liability structure, as well as the removal of interest rate guarantees for the annuity products and the growth of unit-linked products (where the investment risk is borne by the policyholder), reduced the vulnerability of companies to market and interest rate shocks.

(I) Assets

Total assets of the life insurance industry fell to 7 per cent in 2009 (**Chart 4.2**). Much of this decline reflected the further impairment of certain Clico/BA assets and the reduction in the balance sheet of these companies as a consequence of the increase in withdrawals of annuity-type deposits. Excluding Clico and BA, total assets of the industry increased by 9.2 per cent in 2009. There was also a similar decline in 2008 as Clico and BA's balance sheet were restated to provide for an initial round of "mark downs".

Table 4.2
Life Insurance Industry: Distribution of Total Assets 2005 - 2009
/Per cent/

	2005	2006	2007	2008	2009
(Including Clico and BA)					
Bank Deposits and Cash	16.7	19.9	20.7	9.9	9.5
Gov't Fixed Investments	11.3	9.4	9.1	11.8	17.8
Other Fixed Investments	7.7	9.1	10.9	8.0	8.8
Mortgages & Loans	4.4	5.2	5.4	6.6	6.8
Equities	38.5	40.4	38.0	40.8	40.3
Real Estate	4.9	6.9	6.5	7.4	5.1
Other Assets	16.6	9.2	9.5	15.6	11.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
(Excluding Clico and BA)					
Bank Deposits and Cash	10.0	10.5	12.7	17.2	16.0
Gov't Fixed Investments	21.2	16.9	18.3	21.7	28.1
Other Fixed Investments	11.1	14.6	10.4	13.9	13.2
Mortgages & Loans	9.0	10.5	11.5	11.9	11.1
Equities	29.0	27.4	26.9	17.1	14.1
Real Estate	6.9	10.1	9.5	8.9	7.8
Other Assets	12.7	10.1	10.7	9.4	9.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

The data for the life insurance sector as a whole showed that in 2008, 40.8 per cent of total assets were invested in equities, with government investments - the second highest category, accounting for 11.8 per cent of total assets. The high level of equity holdings in the sector also reflected the operations of Clico/BA and their search for superior yields to meet higher interest rate obligations. This investment strategy proved to increase the companies' vulnerability.

Excluding Clico and BA, equity holdings accounted for 17.1 per cent of total assets in 2008, trailing government securities (21.7 per cent) and bank deposits and cash, which accounted for 17.2 per cent. In 2009, these companies further reduced their proportional holding of equities to 14.1 per cent while, at the same time, increasing the share of government securities to 28.1 per cent (**Table 4.2**). With the sharp decline in short-term interest rates, holdings of bank deposits and cash were reduced somewhat to 16 per cent of total assets.

(II) Statutory Fund

In accordance with the Insurance Act (1980), insurance companies are required to maintain assets in their Statutory Fund to cover resident policyholder liabilities. Traditionally, the statutory fund positions were monitored on an annual basis, with the information being submitted to the Regulator six months after the companies' financial year-end. In 2009, by way of an amendment to the Insurance Act, the Central Bank changed the frequency of the reporting requirements on the Statutory Fund from an annual to a quarterly basis. This meant that companies could no longer wait until the end of the year to replenish the assets in the Statutory Fund. This new requirement should serve to enhance policyholders' protection by engendering continuous monitoring of the Statutory Fund balances by the Board and Management of the insurance companies and by the Central Bank. An analysis of the statutory fund balances over the last three reporting quarters of 2009/2010 showed that the industry held an average margin of 7.3 per cent and 21.2 per cent of assets in excess of the liability requirements for long-term insurance and motor vehicle insurance, respectively (**Table 4.3**).

(III) Capital

Currently, there are no capital adequacy rules for insurance companies. However, a regime of risk-based capital has been proposed for life insurance companies as part of the new draft legislation. Companies have been encouraged to conduct a "Parallel Run" of the proposed capital structure using a new common actuarial valuation methodology called the Caribbean Policy Premium Method.

In the absence of a formal regime, one proxy for capital adequacy is the ratio of free capital and surplus to policyholder liabilities. Excluding Clico and BA, this ratio has averaged about 23 per cent for the last five years. This was well in excess of a widely-used capital adequacy target of 5 per cent.

(IV) Profitability

The life insurance sector was profitable in 2009, with all but two companies reporting gains in their operating activities during the year. Companies benefitted from both underwriting profits as well as investment income.

Table 4.3
Insurance Companies - Trends in the Statutory Fund
September 2009 - June 2010
/TT$Millions/

	Sep-09	Dec-09	Mar-10	Jun-10
Long Term (Excluding Clico and BA)				
Statutory Fund Assets	10,893.2	11,111.3	11,438.2	11,556.9
Statutory Fund Requirement	10,082.1	10,373.6	10,671.2	10,807.4
Surplus (Deficit)	811.1	737.7	767.0	749.5

Source: Central Bank of Trinidad and Tobago.

Table 4.4
Non-Life Insurance Industry: Complaints Received on Insurance Services
2006 - 2010
/Per cent/

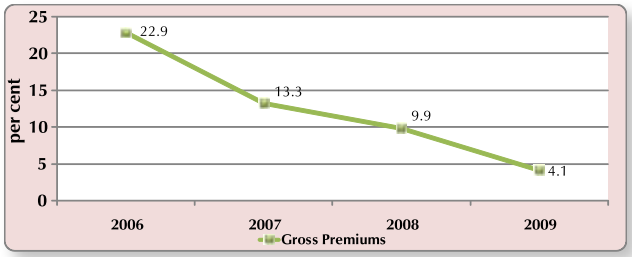
	2006	2007	2008	2009	2010*
Analysed by Type of Complaint					
Inadequate	107	105	84	109	88
Denial of Claim	81	60	58	74	63
Undue Delay	209	123	77	99	73
Other	9	14	6	3	6
Total	**406**	**302**	**225**	**285**	**230**
Resolved By					
Agreement	189	211	169	194	165
Recommendation	1	0	1	0	0
Award	0	1	0	0	0
OFSO Withdrawal	201	113	67	71	73
Customer Withdrawal	6	5	6	5	2
Financial Supervison Rejection	0	0	0	0	0
Court Referral	1	1	2	0	0

Note: * Data to December 9 2010.
Source: Office of the Finacial Services Ombudsman.

B. Non-Life

While the larger non-life companies are well capitalized and profitable, there has been a tendency towards the under-pricing of risks and the under-estimation of claims reserves among the smaller companies (especially those specializing in motor third-party insurance). The Bank has intervened and closed down two motor insurers over the past 4 years. Similar action is currently being taken with respect to a third company. With the introduction of Claims Guidelines by the Central Bank in 2008, the industry has been making steady improvements in its claims processes and some institutions have increased their claims reserves.

Chart 4.3
Non-Life Insurance Industry: Growth in Gross Premium Income
/Per cent/



Source: Central Bank of Trinidad and Tobago.

One indicator of the adequacy and timeliness of claims payments is the level of complaints reported to the Financial Services Ombudsman and the Central Bank. The number of reported complaints has declined by 23.8 per cent since 2007 (**Table 4.4**). Approximately 94 per cent of these complaints were due to inadequate or untimely claims settlement relating to the motor vehicle business.

Gross premiums of the non-life insurance sector increased by 4.1 per cent in 2009, significantly slower than in the recent past (9.9 per cent in 2008, 13.3 per cent in 2007 and 22.9 per cent in 2006). While there was an increase of 14.0 per cent for property insurance, other lines of business such as motor vehicle insurance, workmen's compensation and marine and transport reflected either a lower rate of growth or a decline (**Chart 4.3 and Table 4.5**).

Total assets of the non-life sector rose by 12.5 per cent in 2009, following increases of 15.9 per cent and 8.6 per cent in 2007 and 2008, respectively (**Table 4.6**). Much of the growth in the

Table 4.5
Non-Life Insurance Industry: Growth Rate in Gross Written Premium by Lines of Business 2006 - 2009
/Per cent/

	2006	2007	2008	2009
Liability Insurance	10.7	8.9	-6.4	4.7
Marine Aviation and Transport	16.7	-38.8	55.9	-9.3
Motor Vehicle	23.0	22.2	15.8	0.6
Pecuniary loss	36.3	54.9	6.1	-9.6
Personal Accident/Lines	18.8	19.0	12.8	-4.7
Property	28.5	13.0	3.8	14.0
Other	18.2	4.4	8.9	0.4
Total Gross Written Premiums	**22.9**	**13.3**	**9.9**	**4.1**

Source: Central Bank of Trinidad and Tobago.

Table 4.6
Non-Life Insurance Industry: Growth Rate of Total Assets 2006-2009
/Per cent/

	2006	2007	2008	2009
Bank Deposits and Cash	51.5	-3.2	4.2	19.0
Gov't Fixed Investments	-4.5	79.7	8.7	18.2
Other Fixed Investments	-9.7	15.7	8.1	18.5
Mortgages & Loans	-59.7	0.7	28.8	-47.3
Equities	-4.0	13.2	-30.5	-6.6
Real Estate	85.6	1.1	24.1	9.8
Other Assets	38.9	11.3	23.9	9.0
Total Assets	**21.4**	**15.9**	**8.6**	**12.5**

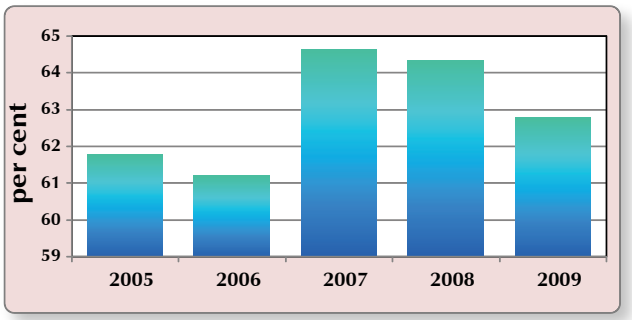
Source: Central Bank of Trinidad and Tobago.

asset base in 2009 may be attributable to the rise in bond prices, following the sharp fall in yields.

C. Reinsurance

Notwithstanding the growth in gross premiums, net premiums retained after reinsurance costs experienced a marginal decline. In 2009, the net premium retention rate fell to 62.8 per cent from 64.3 per cent the previous year (**Chart 4.4**). Domestic life insurers have traditionally retained a substantial portion of gross premiums earned. Despite the marginal decline noted, this trend has been maintained.

Chart 4.4
Non-Life Insurance Industry: Retention Ratio



Source: Central Bank of Trinidad and Tobago.

Appendices

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

Sections A and B of this appendix contain excerpts from a draft Aide-Memoire from an IMF Mission which visited Trinidad and Tobago from October 25, 2010 to November 9, 2010 to conduct the first ever financial stability module under the Financial Sector Assessment Programme (FSAP). The sections of the report examine progress made in financial sector regulation for banks and insurance companies since the FSAP was conducted in May 2005 and lays out recommendations for enhancing the regulatory and supervisory environment. Section C examines progress made in the payments system.

A. THE BANKING SYSTEM

1. The authorities have taken major steps to strengthen the regulation and supervision of banks, following up on many of the recommendations made during the 2005 FSAP. The Financial Institutions Act (FIA) 2008 provides for consolidated supervision and information-sharing between the Central Bank and other authorities (both domestic and foreign) involved in financial sector supervision. Application of capital adequacy requirements, limits on large exposures and connected party lending, and reporting of financial statements and prudential returns, are now required from all licensees both on an individual and consolidated basis. In addition, the FIA's prudential limits on large exposures and connected party lending have been significantly tightened. The framework for Anti-Money Laundering and Counter Terrorism Financing (AML/CFT) has been strengthened by the establishment of a separate Financial Intelligence Unit (FIU) under the FIU Act of 2009, and the renewal of the Financial Obligations Regulations (FOR) in 2010. The new framework was designed to be compliant with the FATF recommendations. The Central Bank has also issued new or updated guidelines on corporate governance, impaired assets, and consolidated prudential reporting. In addition, the new FIA has expanded the Central Bank's enforcement powers to include the issuance of compliance directions and the imposition of administrative fines.

2. Despite the recent progress, bank regulation and oversight need strengthening in the following areas:

i. The transition to risk-based supervision increases the need for strong analytical and information processing capabilities. There is a need for specialists to assess some of the banking risks, such as IT and market risks and AML/CFT as well as to validate internal bank models. The capacity to conduct information audits of the banks' systems is also lacking. This would be useful to verify the integrity of the banks' reports and to conduct a detailed analysis of some aspects of credit risk, including classification and provisioning of retail loans, suspension of accruals, and refinancing practices, among others.

ii. Changes to the 1994 prudential regulation are needed to conform to international capital standards. First, the regulation covers only capital requirements for credit and

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

market risks but not operational risks. Second, the risk weights of exposures to sovereigns, which are currently zero, should be reviewed in light of Basel I and Basel II standards. Third, banks have employee pension funds with significant surpluses which are registered as net assets and are not deducted for the calculation of regulatory capital. Fourth, the CBTT should have the power to deduct connected exposures from a bank's capital.

iii. The Central Bank should also consider moving forward with the implementation of Pillars 2 and 3 of Basel II, associated with the supervisory review of banks' capital needs and disclosure of individual bank's information. Increased frequency and timeliness of disclosure of bank-by-bank information would be a step forward toward the implementation of Pillar 3 of Basel II and could encourage market discipline. Currently, comprehensive annual information is available on all banks, through the publication of the financial statements under International Financial Reporting Standards, three months after the year end. There is no other bank-by-bank information available to the public. The Central Bank should consider making available, through its web page or otherwise, on a quarterly (or monthly basis) bank-by-bank information on financial performance, soundness and interest rates.

iv. The new FIA provides a proper framework and powers for the Central Bank to conduct consolidated supervision of the financial conglomerates operating in Trinidad and Tobago, but it needs to be fully implemented. Financial groups are required to have adequate risk management and internal controls and the oversight role of the Board and management now covers all the members of the financial group. However, the corresponding supervisory processes have not yet been developed. Off-site supervision concentrates mainly on the individual supervised institutions while on-site examinations generally cover one supervised entity at the time. The Central Bank should independently determine whether the financial conglomerates that operate in Trinidad and Tobago are adequately managing their risks, including those that arise in the operations of entities not supervised by the Central Bank, such as asset managers (supervised by the Trinidad and Tobago Securities and Exchange Commission (TTSEC) and non-financial members of the groups. An effective framework for cooperation with the TTSEC and cross border supervisors should be put in place. There is close cooperation with the Office of the Superintendent of Financial Institutions, Canada (OSFI) and OSFI has conducted on-site reviews of the operations of Canadian banks in Trinidad and Tobago. Co-operation with other supervisors in the Caribbean region takes place mainly through the Colleges of Supervisors that meet semiannually in the context of the general meetings of Caribbean regulators. The Central Bank has not conducted on-site exams of the cross-border operations of Trinidad and Tobago banks and other Caribbean regulators have not visited the operations of their home banks operating in Trinidad and Tobago.

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

B. THE INSURANCE SECTOR

i. Since the previous FSAP in 2005, Trinidad and Tobago has made considerable progress in strengthening the regulatory framework for insurance. The Insurance Act dates from 1966 and does not reflect current best practices in legislation for financial institutions. To deal with deficiencies of this law, the Central Bank has issued Guidelines to cover topics such as corporate governance, prudent lending and claims handling. These have strengthened the regulatory system, but enforcement of the guidelines and even of some provisions of the Act has been frustrated through litigious efforts of a few industry players. The attitude to compliance with Central Bank's guidelines and requests has improved in recent years. Amendments to the Insurance Act in February 2009 provide the Central Bank with enhanced powers to address problem institutions, particularly through the issuance of compliance directions if an insurer is engaged in 'unsafe and unsound' practices.

ii. A new insurance law has been drafted following extensive consultations with the industry. The new draft law contains a modern approach to insurance regulation and supervision. For example, company solvency will be measured against a risk-based capital formula with details to be prescribed by regulation. The new law also reflects a modern approach to corporate governance requirements for financial institutions. Unfortunately, the draft, as prepared, retains many of the provisions of the former Insurance Act, some of which are not relevant for modern supervisory work. For example, other jurisdictions have abandoned the practice of prior approval of products. Likewise, the use of a statutory fund requirement with control of the flow of investments in the hands of the supervisor is a burdensome system for both the insurance companies and the supervisor and does not seem to enhance significantly the protection of policyholders. The risk-based capital system that will be implemented with the new law should be more effective in protecting policyholders than most of the former labor-intensive procedures. The adoption of the law is essential for the working of the insurance sector. Complementary to the adoption of the new law, critical reforms will be required to strengthen investment requirements, corporate governance, and financial reporting.

iii. Supervision of insurance companies has been strengthened since 2005 with a more "hands on" approach adopted by the Central Bank. The Central Bank is still young in its position as an insurance regulator, having taken on the role at the end of 2004, although it has made very good progress. Financial returns are now required quarterly and are reviewed on a timely basis. Each insurer is assigned to a "relationship officer" who co-ordinates all supervisory activity and should be in contact at least quarterly with the company. Inspection processes have been improved and working paper standards established for inspection staff. Companies are subject to an on-site inspection and the Central Bank strives to meet twice in three-year schedule. The inspection work includes

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

contacts with the internal and external auditors of the company. An experienced, fully qualified actuary now leads a team of actuarial students and a recent university graduate with a degree in actuarial science. Recruitment of qualified and experienced specialists and training of new staff must continue if the system of supervision is to reach maturity and optimum effectiveness.

iv. Important changes in financial reporting have also been introduced. While annual statutory returns continue to follow accounting rules prescribed by the authorities, companies are expected to follow IFRS standards when preparing their shareholder financial statements. With the assistance of international consultants, new standards for determining policyholder liabilities for life insurance have been developed. Test runs for the valuation of policyholder liabilities have been conducted in parallel for the past three years using the Caribbean Policy Premium Method which is ready for adoption. This method may be adopted for the 2010 financial statements via a guideline. For non-life insurance, there have been recent improvements in reporting the run-off of provisions for unpaid claims, permitting improved oversight of the adequacy of provisions.

v. Risk-based capital frameworks have been developed for both life insurance and general insurance companies. Companies have been submitting reports using the proposed new formulas in parallel with existing tests of adequacy of assets. New risk-based capital rules could be imposed through guidelines, and should then be mandatory for 2010 year-end filings. Regulations drafted to be promulgated with the new legislation include a detailed summary of new formulas and related risk-weighting factors.

vi. Reports of insurance company information on a current basis, including company-by-company financial results, are not available to the public. In prior years, the Central Bank produced an annual report on insurance and pensions. The last such report to be published covers business for the year 2006. It is unfortunate that the trade association, the Association of Trinidad and Tobago Insurance Companies, likewise does not publish company specific data. The public thus has no source for information regarding companies operating in the country. As a minimum, the Central Bank should make segments of its own database available to researchers and journalists, if the timely publication of company information is not feasible.

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

C. THE PAYMENTS SYSTEM

In addition to strengthening the legal foundation of payments systems by giving explicit recognition to these systems whether they settle on a gross or net basis, by establishing finality of payment in protected systems, and by providing for the enforceability of collateral arrangements in instances of participant insolvency, the Financial Institutions Act (FIA) 2008 gives the Central Bank explicit responsibility for the oversight of payment systems. Under this authority, the Bank has begun to conduct assessments of those systems which it deems to be of systemic importance. These payment systems are the Real Time Gross Settlement (RTGS) system, the Cheques Clearings system, the Automated Clearing House (ACH), and the LINX Debit Card system. Overall, these systems have been found to be broadly compliant with the Bank of International Settlements (BIS) CPSS Ten Core Principles for Systemically Important Payments Systems (SIPS).

The settlement arrangements in the SIPS are generally sound and the processing cycles of the various payment instruments are well understood and accepted by all parties. However, only the RTGS system strictly provides prompt and final settlement on the day of value, as the retail systems, such as the LINX Debit Card and the ACH take somewhat longer to complete the clearing and settlement processes. In all cases, settlement ultimately takes place in central bank money.

The degree of operational reliability and efficiency within the SIPS is satisfactory and they have the capacity to cope with any reasonable increase in demand. They have all incorporated security policies, have built in acceptable levels of redundancy and have included well-documented business recovery plans. Increased attention is being paid to the documentation of rules and procedures for the operation of these systems.

The areas that need most immediate attention are the understanding and management of credit and liquidity risks. However, liquidity risk is mitigated somewhat as participants are largely commercial banks, which are required to maintain relatively high levels of cash reserve balances at the Central Bank. In fact, commercial banks have been holding sizeable excess reserve balances at the Central Bank for an extended period. Credit risk is managed as the participants are subject to on-going monitoring by the Central Bank to ensure adherence to explicit prudential standards. Some systems have introduced collateral arrangements to cater for participants' default but others still need to have more explicit recognition and treatment of these risks. The Operators of SIPS are therefore being encouraged to gain a better understanding of the potential risks in their systems and to consider mitigating solutions such as loss sharing arrangements or the pledging of collateral.

In addition to working with the Operators of SIPS to address credit and liquidity risk issues, the Central Bank is exploring risk-based assessment tools in order to better identify risks so that

Appendix I
DEVELOPMENTS IN REGULATION AND SUPERVISION

adequate measures may be taken improve the soundness of payments systems.

The most recent data on the SIPS show that the use of electronic systems has been steadily increasing while the use of cheques has been on the decline. Table 1 below shows that cheques volumes in the first half of 2010 remained reletively unchanged compared with the similar period of 2009. By contrast, increases in the use of electronic payments over the similar periods range from 0.87 per cent in the case of the RTGS to 16.4 per cent for the ACH.

Table 6.1
Volume of Payment System Transactions
2005 - 2010

YEAR	CHEQUES		LOCAL DEBIT CARD	BRAND (POS)	ACH		RTGS	
	Volume (m)	Growth %	Volume (m)	Growth %	Volume (m)	Growth %	Volume (m)	Growth %
2005	13.69		15.72		-	-	0.02	
2006	13.80	0.80	19.15	21.82	0.51		0.03	50.00
2007	13.83	0.22	22.83	19.22	2.67	423.53	0.03	0.00
2008	13.66	-1.23	26.14	14.50	5.48	105.24	0.04	33.33
2009	12.90	-5.56	28.30	8.26	7.01	27.92	0.05	25.00
Jan - Jun								
2009	5.256		12.96		3.41		0.0230	
2010	5.254	-0.04	13.57	4.71	3.97	16.42	0.0232	0.87

Source: Central Bank of Trinidad and Tobago.

Appendix II
INSTITUTIONS LICENSED UNDER THE FIA, 2008
As at September, 2010

- Citibank (Trinidad & Tobago) Limited
- FirstCaribbean International Bank (Trinidad & Tobago) Limited
- First Citizens Bank Limited
- Intercommercial Bank Limited
- Republic Bank Limited
- Scotiabank Trinidad and Tobago Limited
- RBTT Bank Limited
- Bank of Baroda (Trinidad and Tobago) Limited
- AIC Finance Limited
- ANSA Merchant Bank Limited
- Caribbean Finance Company Limited
- Citicorp Merchant Bank Limited
- CLICO Investment Bank Limited (Under management by the Central Bank pursuant to Section 44D of the Central Bank Act)
- Development Finance Limited
- Fidelity Finance & Leasing Co. Limited
- First Citizens Asset Management Limited
- First Citizens Trustee Services Limited
- General Finance Corporation Limited
- Guardian Asset Management Limited
- Intercommercial Trust and Merchant Bank Limited
- Island Finance Trinidad & Tobago Limited
- Republic Finance & Merchant Bank Limited
- RBTT Asset Management Limited
- RBTT Merchant Bank Limited
- RBTT Trust Limited
- Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at September 2010

Active Life Insurance Companies

- Bancassurance Caribbean Limited
- Cuna Caribbean Insurance Society Limited
- Maritime Life (Caribbean) Limited
- ScotiaLife Trinidad and Tobago Limited
- Tatil Life Assurance Limited
- The Demerara Life Assurance Company of Trinidad and Tobago Limited

Active General Insurance Companies

- Bankers Insurance Company of Trinidad and Tobago Limited
- Capital Insurance Limited
- Colonial Fire & General Insurance Company Limited
- Export-Import Bank of Trinidad and Tobago (Eximbank) Limited
- Furness Anchorage General Insurance Limited
- GTM Insurance Company Limited
- Gulf Insurance Limited
- Maritime General Insurance Company Limited
- Motor and General Insurance Company Limited
- Motor One Insurance Company Limited
- Sagicor General Insurance Inc.
- The Great Northern Insurance Company Limited
- The New India Assurance Company (Trinidad and Tobago) Limited
- The Presidential Insurance Company Limited
- Trinidad and Tobago Insurance Limited
- United Insurance Company Limited

Active Composite (Life & General) Insurance Companies

- American Life & General Insurance Company (Trinidad and Tobago) Limited
- British American Insurance Company (Trinidad) Limited
- Colonial Life Insurance Company (Trinidad) Limited
- Guardian General Insurance Limited
- Guardian Life of the Caribbean Limited
- Mega Insurance Company Limited
- Reinsurance Company of Trinidad and Tobago Limited
- Sagicor Life Inc.
- The Beacon Insurance Company Limited

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at September 2010

Inactive Life Insurance Companies

- Caribbean Atlantic Life Insurance Company Limited (CALICO) (Under Judicial Management)
- Life of Barbados Limited
- Lincoln Assurance Limited
- Nationwide Insurance Company Limited (In Compulsory Liquidation)
- Sun Life Assurance Company of Canada
- United Security Life Insurance Company Limited

Inactive General Insurance Companies

- Antilles Insurance Limited
- Citizens Insurance Company Limited (In Compulsory Liquidation)
- Equitable Insurance Company Limited
- Goodwill Insurance Company Limited (In Compulsory Liquidation)
- Nem (West Indies) Insurance Limited
- Mountain General Insurance Company Limited
- Royal Caribbean Insurance Limited (De-registered)

Inactive Composite (Life & General) Insurance Companies

- Caribbean Insurance Company Limited
- Nationwide Insurance (Casualty and General) Company Limited (In Compulsory Liquidation)

Active Association of Underwriters

- Lloyd's Underwriters

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

ACTIVE PENSION PLANS

- 3M Interamerica Inc-Trinidad &Tobago Division Pension Fund Plan
- A.S. Bryden & Sons (Trinidad) Ltd. Pension Fund Plan
- Agostini Insurance Brokers Ltd. Pension Fund Plan
- Agostini's Ltd. Retirement Plan
- Airports Authority Pension Fund Plan
- Albrosco Ltd. Staff Pension Plan
- All Trinidad Sugar and General Workers Trade Union Staff Pension Fund Plan
- Alstons Ltd. Pension Plan
- Amoco Trinidad Oil Company Pension Fund Plan
- Amour's Funeral Homes Ltd. Pension Fund Plan
- Angostura Bitters (Dr. J.G.B. Siegert & Sons) Ltd. Pension Fund Plan
- Ansa McAl Ltd. Pension Fund Plan
- Anthony N. Sabga Ltd. Pension Fund Plan
- ASA Wright Nature Centre Pension Fund Plan
- Associated Brands Ltd. Group Pension Fund Plan
- Atlantic LNG Pension Fund Plan
- Bank of Commerce of Trinidad and Tobago Ltd. Retirement Plan
- Barbados Mutual Life Assurance Society Employee Pension Fund Plan
- Baroid Trinidad Services Ltd. Staff Pension Fund Plan
- Bawodes Ltd. Pension Fund Plan
- Bel Air International Airport Hotel Ltd. Pension Fund Plan
- Berger Paints Trinidad Ltd. Pension Fund Plan (Monthly Paid) Employees
- Berger Paints Trinidad Ltd.Pension Fund Plan for Weekly Paid Employees
- Bermudez Biscuit Company Ltd. Staff Pension Fund Plan
- Bristol Myers (West Indies) Ltd. Pension Fund Plan
- British American Insurance Company (Trinidad) Ltd. Pension Fund Plan
- British Gas Trinidad Ltd. Pension Fund Plan
- British High Commission Pension Fund Plan
- BWIA General Staff Pension Fund Plan
- C.M.B Packaging Trinidad Ltd. Pension Fund Plan
- Caribbean Bulk Storage and Trading Company Ltd. Pension Fund Plan
- Caribbean Industrial Research Institute Pension Fund Plan
- Caribbean Packaging Industries Ltd. Defined Contribution Pension Fund Plan
- Caribbean Packaging Industries Ltd. Pension Fund Plan for Junior Staff Employees
- Caribbean Services Company Ltd. Pension Fund Plan
- CBP Ltd. Pension Fund Plan
- Central Bank of Trinidad and Tobago Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

- Century Eslon Ltd. Pension Fund Plan
- Citibank (Trinidad and Tobago) Ltd. Pension Fund Plan
- Clark and Battoo Ltd. Staff Pension Fund Plan
- Clico Investment Bank Ltd. Staff Pension Fund Plan
- Coates Brothers (Caribbean) Ltd. Pension Fund Plan
- Coca Cola Bottling (Trinidad and Tobago) Pension Fund Plan
- Coconut Growers Association Pension Fund Plan
- Colonial Fire and General Insurance Company Ltd. Pension Fund Plan
- Colonial Life Insurance Company (Trinidad) Ltd. Staff Pension Fund Plan
- Consolidated Insurance Consultants Ltd. Pension Fund Plan
- Coopers and Lybrand Pension Fund Plan
- Courts (Trinidad) Ltd. Pension Fund Plan
- CUNA Caribbean Insurance Society Pension Fund Plan
- Development Finance Ltd. Pension Fund Plan
- Diego Martin Credit Union Cooperative Society Staff Pension Fund Plan
- E&Y Services Ltd. Pension Fund Plan
- EOG Resources Trinidad Ltd. Employees Pension Fund Plan
- Eric Solis Marketing Ltd. Staff Pension Fund Plan
- F.T. Farfan and Sons Ltd. Pension Fund Plan
- Ferreira Optical Ltd. Pension Fund Plan
- First Citizens Bank Pension Fund Plan
- Fujitsu ICL Caribbean (Trinidad) Ltd. Pension Fund Plan
- Furness Trinidad Ltd. Pension Fund Plan
- Global Santa Fe South America LLC Pension Fund Plan
- Grace Kennedy Trinidad and Tobago Ltd. Pension Fund Plan
- Group Pension Plan for the Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Ltd.
- Group Pension Plan for the Non-Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Ltd.
- Gulf Engineering Services Ltd. Pension Fund Plan
- Gulf Insurance Ltd. Pension Fund Plan
- Guyana and Trinidad Mutual Fire Insurance Company Ltd. Pension Fund Plan
- H.S Services Ltd. Pension Fund Plan
- Halliburton Trinidad Ltd. Pension Fund Plan
- Hand Arnold (Trinidad) Ltd. Employees Pension Scheme
- Home Construction Ltd. Staff Pension Fund Plan
- Hydro Agri Trinidad Ltd. Pension Fund Plan
- IBM World Trade Corporation (Trinidad) Retirement Plan
- Industrial Agencies Limited (IAL) Engineering Ltd. Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

- Insurance Brokers West Indian Ltd. Pension Fund Plan
- J.N. Harriman and Company Ltd. Pension Fund Plan
- J.T.A Supermarkets Ltd. Pension Fund Plan
- Johnson and Johnson (Trinidad) Ltd. Staff Pension Fund Plan
- Joseph Charles Bottling Works and Investments Ltd. Pension Fund Plan
- Junior Schools Ltd. Staff Pension Plan
- L.J. Williams Pension Fund Plan
- Lake Asphalt of Trinidad and Tobago (1978) Ltd. (Monthly) Pension Fund Plan - Staff
- Lake Asphalt of Trinidad and Tobago (1978) Ltd. (Weekly) Pension Fund Plan - Employees
- Lange Trinidad Ltd. Pension Fund Plan
- Laughlin and DeGannes and Associate Companies Pension Fund Plan
- Lazzari and Sampson Ltd. Pension Fund Plan
- Lever Brothers (West Indies) Ltd. Pension Fund Plan
- Life of Barbados Pension Fund Plan
- Lonsdale/Saatchi and Saatchi Advertising Ltd. Staff Pension Fund Plan
- Mainstream Foods Ltd. Pension Fund Plan
- Mandev-Qualassure Pension Fund Plan
- Maritime Life (Trinidad) Ltd. Pension Fund Plan
- Master Mix of Trinidad and Tobago Ltd. Pension Fund Plan
- Mc Cann Erickson (Trinidad) Ltd. Pension Fund Plan
- Medianet Ltd. Monthly paid Staff Pension Fund Plan
- Mega Insurance Company Ltd. Pension Fund Plan
- Mittal Steel Point Lisas Ltd. Pension Fund Plan
- MTS Pension Fund Plan
- N.E.M (West Indies) Staff Superannuation Scheme
- National Flour Mills Pension Fund Plan
- National Gas Company of Trinidad and Tobago Pension Fund Plan
- National Helicopter Services Ltd. Pension Fund Plan
- National Insurance Board Pension Fund Plan
- National Insurance Property Development Company Ltd. Pension Fund Plan
- National Union of Government and Federated Workers- Elected Officers Pension Fund Plan
- National Union of Government and Federated Workers- Staff Pension Fund Plan
- Navarro's Shipping Ltd. Pension Fund Plan
- Neal and Massy Group Pension Fund Plan
- Nestle Trinidad Ltd. Pension Fund Plan
- Nestle Unionized Employees Pension Fund Plan
- Niherst Pension Fund Plan
- Oilfield Workers Trade Union Staff Pension Fund Plan
- PCS Nitrogen Trinidad Ltd. Pension Fund Plan No.1

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

- PCS Nitrogen Trinidad Ltd. Pension Fund Plan No.2
- Penta Paints Caribbean Ltd. Pension and Widows Benefit Scheme
- Pepsi Cola Trinidad Bottling Company Ltd. Pension Fund Plan
- Perreira & Company Ltd. Staff Pension Fund Plan
- Phoenix Park Gas Processors Ltd. Staff Pension Fund Plan
- Point Lisas Industrial Development Corporation Ltd. Pension Fund Plan
- Port Authority of Trinidad and Tobago Daily Paid Pension Fund Plan
- Port Authority of Trinidad and Tobago Monthly Paid Pension Fund Plan
- Prestige Holdings Ltd. Pension Fund Plan
- Print - A - Pak Ltd. Pension Fund Plan
- RBP Elevator and Escalator Ltd. Pension Fund Plan
- RBTT Pension Fund Plan
- Regional Health Authority Pension Fund Plan
- Rentokil International (Trinidad) Ltd. Pension Fund Plan
- Republic Bank of Trinidad and Tobago Ltd. Pension Fund Plan
- Rhand Credit Union Co-operative Society Ltd. Staff Pension Fund Plan
- Royal Caribbean Ins. Co. Ltd. Pension Fund Plan
- Scotiabank Trinidad and Tobago Ltd. Pension Fund Plan
- Sealand Services Inc. Pension Fund Plan
- Selco Ltd. Pension Fund Plan
- Servol Ltd. Pension Fund Plan
- Small Business Development Company Ltd. Staff Pension Fund Plan
- Southern Medical Clinic Ltd. Pension Fund Plan
- Southern Sales and Services Company Ltd. Pension Fund Plan
- Stellar Distributions (Trinidad) Staff Pension Fund Plan
- T. Geddes Grant (Trinidad) Staff Savings Pension Fund Plan
- T. Geddes Grant Ltd. Pension Fund Plan
- Tatil Life Sales Representatives Pension Fund Plan
- TECU Credit Union Co-operative Society Ltd. Pension Fund Plan
- Telecommunications Services of Trinidad and Tobago Ltd. Pension Fund Plan
- Texaco (Trinidad) Ltd. Staff Retirement Plan
- The Agents of American Life and General Insurance Company (Trinidad) Ltd. Pension Scheme
- The Beacon Insurance Company Ltd. Pension Fund Plan for Monthly and Weekly Paid Employees
- The Demerara Life Assurance Company of Trinidad and Tobago Ltd. Sales Staff Pension Plan
- The Group Pension Fund Plan for Non-Professional Employees of Fitzstone Ltd.
- The Home Mortgage Bank Pension Fund Plan
- The Incorporated Trustees of the Anglican Church in the Dioceses of Trinidad and Tobago Pension Fund Plan
- The Institute of Marine Affairs Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

- The Mercantile Banking and Finance Corporation Ltd. Pension Fund Plan
- The Myerson Tooth Company Ltd. Pension Fund Plan
- The Synod of the Presbyterian Church in Trinidad Pension Fund Plan
- The University of the West Indies (St.Augustine) Staff Pension Fund Plan
- Thomas Peake and Company Ltd. Pension Fund Plan
- Toyota Trinidad and Tobago Staff Pension Fund Plan
- Trinidad and Tobago Chamber of Commerce Pension Fund Plan
- Trinidad and Tobago Civil Aviation Authority Pension Fund Plan
- Trinidad and Tobago Electricity Commission Pension Fund Plan
- Trinidad and Tobago Electricity Commission Provident Fund
- Trinidad and Tobago External Telecommunications Company Ltd. Pension Fund Plan
- Trinidad and Tobago Methanol Company Ltd. Pension Fund Plan
- Trinidad and Tobago Mortgage Finance Company Ltd. Pension Fund Plan
- Trinidad and Tobago National Petroleum Marketing Company Ltd. Pension Fund Plan 1
- Trinidad and Tobago National Petroleum Marketing Company Ltd. Pension Fund Plan 2
- Trinidad and Tobago Oil Co. Non Contributory Pension Fund Plan
- Trinidad and Tobago Oil Company Ltd. Contributory Pension Fund Plan A
- Trinidad and Tobago Oil Company Ltd. Contributory Pension Fund Plan B
- Trinidad and Tobago Oil Company Ltd. Employees Benefit Plan
- Trinidad and Tobago Oil Company Ltd. Staff Retirement Plan
- Trinidad and Tobago Petroleum Company Ltd. Employees Pension Fund Plan
- Trinidad and Tobago Petroleum Company Ltd. Staff Pension Fund Plan
- Trinidad and Tobago Port Contractors Ltd. Staff Pension Fund Plan
- Trinidad and Tobago Solid Waste Management Company Ltd. Pension Fund Plan
- Trinidad and Tobago Telephone Co. Ltd. Staff Pension Fund Plan
- Trinidad and Tobago Unit Trust Corporation Pension Fund Plan
- Trinidad Building and Loan Association Pension Fund Plan
- Trinidad Cement Ltd. Employees Pension Fund Plan
- Trinidad Concrete Products Ltd. Pension Fund Plan
- Trinidad Contractors Ltd. Pension Fund Plan
- Trinidad Express Newspapers Ltd. Pension Fund Plan
- Trinidad Hilton (International) Ltd. Pension Fund Plan
- Trinidad Nitrogen Company Ltd. Staff Pension Fund Plan
- Trinidad Pilots and Berthing Masters Ltd. Pension Fund Plan
- Trinidad Ropeworks Ltd. Retirement Plan for Employees
- Trinidad Systems Pension Fund Plan
- Trinmar Ltd. Employees Benefit Plan
- Trintoplan Consultants Ltd. Staff Pension Fund Plan
- United States of America Embassy in Trinidad and Tobago Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

- Waste Disposal Ltd. Pension Fund Plan
- Water and Sewerage Authority Pension Fund Plan
- West Indian Tobacco Company Ltd.Staff Pension Fund Plan
- Western Scientific Company Ltd. Pension Fund Plan
- William H Scott Ltd. Pension Fund Plan
- Y. De Lima and Company Ltd. Pension Fund Plan
- Youth Training and Employment Partnership Programme Ltd. Pension Fund Plan

PENSION PLANS IN THE PROCESS OF BEING WOUND UP

- Associated Battery and Metal Industries Trinidad Ltd. Pension Fund Plan
- Aviation Services Trinidad and Tobago Ltd. Pension Fund Plan
- B.H. Rose Ltd. Pension Fund Plan
- Bottlers Ltd. Pension Fund Plan
- British Airways Pension Fund Plan
- BWIA (Ltd) Pilots Provident Fund
- C. Lloyd Trestrail & Co. Ltd. Pension Fund Plan
- Caribbean Packaging Industries Ltd. Pension Fund Plan for Senior Staff
- Caroni (1967) Ltd. Pension Fund Plan
- Caroni (1975) Ltd. Daily Paid Employees Contributory Pension Fund Plan
- Caroni (1975) Ltd. Employees Pension Fund Plan
- Cliffs and Associates Ltd. Pension Fund Plan
- Colgate Palmolive (Caribbean) Inc. Pension Fund Plan
- Colonial Life Insurance Co. (Trinidad) Ltd. Agents Pension Fund Plan
- Corbin Compton Ltd. Staff Pension Fund Plan
- Crown Life Caribbean Ltd. Employees Pension Fund Plan
- CTC Electronics Ltd. Pension Fund Plan
- Electrotec Services Ltd. Pension Fund Plan
- Employers Consultative Association Pension Fund Plan
- F.W. Woolworth Ltd. Pension Fund Plan
- General Building and Loan Association Staff Pension Fund Plan
- George Wimpey Caribbean Ltd. Pension Fund Plan
- Goellnicht and Stollmeyer (Marketing) Ltd. Pension Fund Plan
- Gordon Grant Staff Pension Fund Plan
- Guardian Life of the Caribbean Ltd. Pension Fund Plan
- Industrial Development Corporation Pension Fund Plan
- Inglefield Ogilvy & Mather Caribbean Pension Fund Plan

Appendix IV
PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2010

- Insurance Consultants Ltd. Pension Fund Plan
- International Loss Adjusters Ltd. Pension Fund Plan
- Label House Ltd. Staff Pension Fund Plan
- Metal Industries Company Pension Fund Plan
- National Agro Chemicals Pension Fund Plan
- National Broadcasting Services of Trinidad and Tobago Pension Fund Plan
- Nationwide Staff "A" Pension Fund Plan
- Nationwide Staff "B" Pension Fund Plan
- Nationwide Staff "C" Pension Fund Plan
- Orange Grove National Company Ltd. Pension Fund Plan
- Premier Consolidated Oilfields Ltd. Pension Fund Plan
- PriceWaterhouse Coopers Ltd. Pension Fund Plan
- Rediffusion (Trinidad) Ltd. Pension Fund Plan
- Reinsurance Company of Trinidad and Tobago Ltd. Pension Fund Plan
- Santana Services Ltd. Pension Fund Plan
- Sherwin Williams (Caribbean) N.V. Pension Fund Plan
- Sissons Paints Ltd. Staff Pension Fund Plan
- Smith International Inc. Pension Fund Plan
- Stephens and Ross Ltd. Pension Fund Plan
- Super Chem Pension Fund Plan
- Swan Hunter Trinidad Ltd.Pension Fund Plan
- The National Commercial Bank of Trinidad and Tobago Pension Fund Plan
- The Shipping Corporation of Trinidad and Tobago Ltd. Pension Fund Plan
- Tourism & Industrial Development Co. of Trinidad & Tobago Pension Fund Plan
- Trinidad & Tobago Forest Products Ltd. Staff Pension Fund Plan
- Trinidad and Tobago BWIA International Airways Pension Fund Plan
- Trinidad and Tobago Export Development Corporation Pension Fund Plan
- Trinidad and Tobago Oil Company - Local Fund
- Trinidad and Tobago Oil Company Ltd. Provident Fund
- Trinidad and Tobago Printing and Packaging Company Pension Fund Plan
- Trinidad and Tobago Television Company Ltd. Pension Fund Plan
- Trinidad Broadcasting Company Ltd. Pension Fund Plan
- Trinidad Shipping Company Ltd. Retirement Pension Fund Plan
- Trinidad Textile Manufacturing Company Ltd. Pension Fund Plan
- Van Leer Containers Trinidad Ltd. Pension Fund Plan
- West Indian National Insurance Company Pension Fund Plan
- Workers Bank (1989) Ltd. Pension Fund Plan
- Yorke Structures Ltd. Pension Fund Plan

Central Bank of
Trinidad & Tobago

FINANCIAL STABILITY REPORT - NOVEMBER 2010