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CIRCULAR LETTER TO:
ALL INSTITUTIONS LICENSED UNDER THE
FINANCIAL INSTITUTIONS ACT, 2008

COPIED TO:
BANKERS ASSOCIATION OF TRINIDAD AND TOBAGO (BATT)
INSTITUTE OF CHARTERED ACCOUNTS OF TRINIDAD AND TOBAGO (ICATT)

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NEW MORATORIUM ON THE REGULATORY TREATMENT OF PAYMENT DEFERRALS OR RESTRUCTURED LOANS DUE TO COVID-19 MEASURES

The Central Bank of Trinidad and Tobago ("Central Bank") notes with concern the difficulties currently being faced by our national community as we face the effects of the ongoing pandemic and the potential hardship that it presents to customers of financial institutions.

The Central Bank previously extended an initial moratorium on deferred loans by letter dated March 24, 2020 which was subsequently extended twice within 2020 and came to an end on December 31, 2020.

However, having regard to the new circumstances, the Central Bank considers it appropriate to reintroduce a moratorium on the regulatory treatment for rescheduled loans due to "skipped payments" or rate reductions and past due facilities for the period **May 1, 2021 to September 30, 2021**.

Financial institutions are asked to note that the following conditions will apply:

1. **Treatment -**
   (a) Payment deferrals or rate reductions shall apply only to those performing loans and loans past due up to 89 days as at **May 1, 2021**. Non-performing loans, that is, loans in the 90 days and over category and classified as sub-standard, doubtful or loss as at May 1, 2021 will not qualify for this treatment.

   (b) The deferral of loan payments is to be extended on an **'opt in'** basis only.

   (c) All deferrals offered to customers during this period must expire on **September 30, 2021** regardless of the actual date of commencement of the deferral.

2. **Reporting** -
   (a) Credit facilities which have been afforded skipped payments or rate reductions, should **NOT** be reported as "Restructuring or Rescheduled" on the CB20 report or as "Past Due" subject to the following conditions:

      i) *Performing Credit Facilities* – Borrowers who were current prior to the new moratorium period commencing **May 1, 2021** and who subsequently accepted the "skipped payment" provision as a result of the effects of COVID-19 generally should not be reported as past due. Similarly, borrowers who accept a rate reduction should not be reported as "Restructuring or Rescheduled".

      ii) *Past Due Credit Facilities (1 – 89 days)* – Financial institutions have the option on a "case by case" basis to apply payment deferrals to past due exposures in the 1 – 89 days categories in accordance with their credit management policies. Past due reporting status should be maintained as the status reflected as at May 1, 2021 for the duration of the deferral period granted. For example, if a consumer loan was 60 days past due as at May 1, 2021 and a "skipped payment" arrangement was applied thereafter, an institution should continue to report the loan in its regulatory reports as 60 days past due during the new deferral period.

   (b) All financial institutions will be required to submit the special **DPC-19 Report** to the Central Bank on a monthly basis and within 30 business days of the end of the relevant reporting month for the period **May to September 2021**.

3. **Restructured Loans** -
   (a) Financial institutions will be allowed to restructure loans that have a high probability of fulfilling revised payment terms and conditions beyond the current restrictions set out in the Bank's Guideline for the Measurement, Monitoring and Control of Impaired Assets.

   (b) Loans that have been restructured should be reported in accordance with established reporting requirements.

4. **Disclosures** -
   In accordance with section 7.4 of the Market Conduct (Customer Notification of Material Modification to, or Termination of, Products or Services), financial institutions are required to provide borrowers with accurate disclosures when offering payment deferrals and/or rate reductions, which will alleviate any misunderstandings relative to the changes in the terms and conditions of the loan contract. The financial institution must provide customers with adequate information to understand the implications of a "skipped payment" or payment deferral, including the consequences (if any) for the total amount payable under the loan contract, the term of the loan, and the amount of contractual monthly instalments. The customer should also have no

liability to pay any charge or fee associated with the granting of the "skipped payment" or deferral arrangement.

It should be noted that the guidance being provided on the treatment of "skipped payments" or payment deferrals is restricted to the regulatory treatment of such exposures. Licensees must continue to provision for these loans in accordance with international accounting standards such as IFRS 9.

The Central Bank advises that it will be meeting with the commercial banks in the coming weeks to discuss the detailed plans being put in place for monitoring and managing credit and liquidity risks and capital both during and after the moratorium period.

Please be guided accordingly.

Yours sincerely

Patrick Solomon

Patrick Solomon
Inspector of Financial Institutions