



CENTRAL BANK OF TRINIDAD AND TOBAGO

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March 15, 2024

CIRCULAR LETTER TO:

*All Commercial Banks and Financial Groups
Under the Financial Institutions Act, 2008
The Bankers Association of Trinidad and Tobago*

REF: CB-OIFI-802/2024

LIQUIDITY COVERAGE RATIO SECOND QUANTITATIVE IMPACT STUDY (“QIS”)

The Central Bank of Trinidad and Tobago (“Central Bank”) continues its development of the Liquidity Coverage Ratio (“LCR”) as part of Phase 2 of the Basel II/III implementation process. As you are aware, a Quantitative Impact Study (“QIS”) for the LCR was conducted in 2023 using data as at May to July 2023 and reports were required to be submitted in September 2023.

Some key high level observations from the QIS are as follows:

- 80% of licensees met the LCR requirement for all three months
- Four (4) licensees submitted nil reports, i.e. no cash outflows
- LCR - banking sector (three month avg.) – 195%
 - Commercial banks (three month avg.) – 176%
 - Non-banks (three month avg.) – 692%
 - Financial Holding Companies/Consolidated entities (June 2023) – 183%
- Main components
 - HQLA – GORTT Securities (24%), Excess Reserves (23%), Securities issued by foreign central banks (13%), Securities issued by foreign sovereigns (10%),
 - Cash Outflows – Unsecured funding provided by non-financial corporates and sovereigns, etc. (52%), Unsecured funding provided by other legal entity customers (17%)
 - Cash Inflows – Inflows from securities not included in HQLA (41%), Balances held at other financial institutions (27%)
- Significant foreign currencies
 - USD was the predominant foreign currency
 - HQLA – 31% FX
 - Cash Outflows – 21% FX
 - Cash Inflows – 67% FX (largely skewed by one institution)

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We advise that the results and feedback on the QIS will be used to refine the LCR framework and inform the draft LCR Regulations. The full report on the QIS results will be provided at a later date.

The Central Bank is aware that there was some ambiguity regarding the issue of reporting the LCR by significant currency whereby the Trinidad and Tobago dollar (TTD) was not consistently included as a significant currency. In this regard, the Central Bank advises that the LCR requirement must be met in aggregate in the TTD equivalent of all currencies. However, institutions should be aware of their liquidity needs in each significant currency. Therefore, the TTD must also be reported as a significant currency on the LCR report.

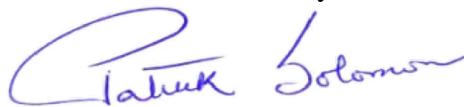
Given the inconsistency with which financial institutions reported TTD as a significant currency, and further to a meeting with representatives from the Bankers Association of Trinidad and Tobago, the Central Bank is conducting a second QIS prior to finalising the LCR framework.

This QIS will apply only to commercial banks and financial groups (i.e. banking groups with either an operational licensee or a financial holding company as the parent company); will be based on data as at **December 31, 2023**; and will be required on an individual basis and consolidated basis for the financial groups. The QIS submissions will be **due no later than April 30, 2024** and is to be reported using the revised LCR reporting template¹ which can be found at <https://www.central-bank.org.tt/core-functions/supervision/basel-ii-iii-implementation>. No extensions of time will be considered.

Any queries and all QIS submissions are to be sent to Baselconsultation@central-bank.org.tt. In addition, Ms. Denise Layne (dlayne@central-bank.org.tt) and Ms. Karyn Stewart (kastewart@central-bank.org.tt) of our Basel II/III Implementation team can be contacted for assistance.

We anticipate your usual cooperation as we progress the rollout of this very important prudential liquidity standard.

Yours sincerely



Patrick Solomon

INSPECTOR OF FINANCIAL INSTITUTIONS

¹ LCR Reporting Template (Revised) – March 2024 includes additional tabs for reporting the LCR in TTD.