



CENTRAL BANK OF TRINIDAD & TOBAGO

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March 24, 2020

CIRCULAR LETTER TO:

All Institutions Licensed under the Financial Institutions Act, 2008
Bankers Association of Trinidad and Tobago (BATT)
Institute of Chartered Accountants of Trinidad and Tobago (ICATT)

REF: CB-OIFI-724/2020

**REGULATORY TREATMENT OF PAYMENT DEFERRALS OR “SKIPPED PAYMENTS”
DUE TO COVID- 19 MEASURES**

In order to limit the impact of national measures being instituted to contain the spread of the novel Coronavirus (“COVID-19”) on individuals and small businesses, the Bankers’ Association of Trinidad and Tobago (“BATT”) has advised that its members will be implementing a number of measures, including payment deferrals¹, rate reductions and waivers of penalty charges and late payment fees, on credit facilities.

The Central Bank recognises that such proposed payment deferrals will result in credit facilities becoming past due in the context of its Impaired Assets Guideline² (“Guideline”) Appendix I , and will also lead to the modification of loan agreements, which are subject to limitations outlined in Appendix III of the Guideline. Rate reductions will also result in the modification of loan agreements. However, the Central Bank considers the current circumstances to be extenuating and notes that the proposed measures will provide flexibility to customers of financial institutions affected by the COVID-19 pandemic and assist also in maintaining financial institutions’ soundness.

Consequently, the Central Bank advises that it will relax its regulatory treatment for restructured loans due to “skipped payments” or rate reductions and past due facilities for a **period of 3 months in the first instance for payments due by March 31**, subject to the following:-

- a. **Treatment** – payment deferrals or rate reductions shall apply **only** to those performing loans and loans past due up to 89 days as at March 1, 2020. Non-performing loans, that is, loans in the 90 days and over category and classified as sub-standard, doubtful or loss as at March 1, 2020 will not qualify for this treatment;

¹ Payment deferrals and “skipped payments” are used interchangeably.

- b. **Reporting** – 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 becoming affected by COVID-19 and subsequently accept the “skipped payment” provision as a result of the effects of COVID-19 generally should not be reported as past due. Similarly, the loans of 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 in regulatory reports should be determined in accordance with the contractual terms of a loan. Where the financial institution applies “skipped payment” arrangements on credit facilities that were past due prior to the borrower being affected by COVID-19, it is the Central Bank’s position that the delinquency status of the loan should be adjusted back to the status that existed at the date of the borrower becoming affected, essentially being frozen for the duration of the “skipped payment” period. For example, if a consumer loan was 60 days past due on the date of the borrower being affected by COVID-19 and a “skipped payment” arrangement was applied, an institution should continue to report the loan in its regulatory reports as 60 days past due during the 3-month deferral period.
 - iii. *Special Report* - The Central Bank advises that pursuant to section 75(1) of the Financial Institutions Act, 2008 (“FIA”), it will be introducing a Special Report on which licensees will report exposures that have been granted “skipped payment” arrangements and/or rate reductions in accordance with this Circular Letter. Licensees will be advised of details of the Special Report at a later date.
- c. **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 “skipped payments” 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.

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It should be noted that the guidance being provided on the treatment of “skipped payments” or payment deferrals amidst the COVID-19 crisis is restricted to the **regulatory** treatment of such exposures. Licensees must continue to provision for these loans in line with international accounting standards such as IFRS 9.

The arrangements in this Circular Letter will apply for three (3) months initially, commencing as at March 31, 2020, but may be extended taking into consideration developments regarding the COVID-19 pandemic.

Please be guided accordingly.

Yours sincerely

A handwritten signature in blue ink that reads "Patrick Solomon". The signature is written in a cursive style with a large initial "P".

Patrick Solomon
INSPECTOR OF FINANCIAL INSTITUTIONS