Central Bank of Trinidad & Tobago

Financial

Stability Report

December 2012

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

© Copyright 2012 Central Bank of Trinidad and Tobago

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

Financial
STABILITY REPORT
December 2012

Central Bank of Trinidad and Tobago

Financial Stability Report

Table of Contents

FINANCIAL STABILITY REPORT
December 2012
EXECUTIVE SUMMARY

This Financial Stability Report is written against the backdrop of a weak and volatile global environment and sluggish domestic economy. The domestic financial system remains strong but the uncertain global setting and low domestic interest rate environment pose some challenges to performance and profitability of financial institutions. The Central Bank continues to strengthen its regulatory and supervisory framework to safeguard Trinidad and Tobago's financial stability, while preparing the ground-work for much needed legislative changes.

International Environment

- The global economic recovery was fragile throughout 2012 and was set back by the intensification of the sovereign debt and banking crisis in the Euro area and the fiscal uncertainty in the United States (US). Policy measures in Europe and the US helped stabilize financial markets, although private sector confidence was not fully restored. Growth in emerging market economies decelerated but still exceeded that in their advanced counterparts. This has prompted the IMF to reduce its global growth forecasts for 2012 and 2013 to 3.3 per cent from 3.5 per cent and to 3.6 per cent from 3.9 per cent, respectively. As for the Caribbean, the IMF in its latest World Economic Outlook expects the region to grow by 2.8 per cent in 2012, with prospects for future growth dependent on developments in the region's key export markets.

- The US economy slowed during the second quarter of 2012 prompting the Federal Reserve Board by September to announce a new round of quantitative easing. Revised GDP estimates revealed that the economy expanded by 3.1 per cent in the third quarter. The uncertainty surrounding the "fiscal cliff" heightened as the year came to a close. However, US lawmakers were able to pass a bill by 1 January 2013 to avert the full automatic tax increases and spending cuts, temporarily easing concerns that the US would fall into recession. In the UK, after three successive quarters of contraction, the economy grew by 0.9 per cent in the third quarter of 2012, with activity boosted by the Olympic Games held in London. In an attempt to reassure financial markets, the Bank of England expanded its Asset Purchase Programme by some £50 billion in July to shore up liquidity in the financial system.

- The economic situation in the Euro area was weighed down by ongoing weaknesses in the balance sheets of some banks and governments. By the third quarter of 2012, the area as a whole slipped into recession as government spending fell and intra-regional trade decelerated. The fiscal austerity measures adopted to reduce the deficit and high debt levels of countries further restrained growth and employment opportunities. Contributing to market jitters during the year were political uncertainty surrounding the elections in France and Greece, strong concerns about a Greek exit from the Euro Area and the weak performance of a number of banks in Spain and elsewhere. In a bid to shore up confidence, the European Central Bank (ECB) implemented its bond buying programme in September 2012, the Outright Monetary Transactions programme. By the end of the year, there was evidence that the volatility in key financial indicators, including the VIX and VStoxx in the US and Europe as well as global equity and bond market indicators, had begun to subside. European sovereign spreads also showed some improvement.

Domestic Environment

- On the domestic front, economic growth remained subdued as Real Gross Domestic Product (GDP) contracted for the first half of the year. Much of the decline can be attributed to the combination of prolonged maintenance work and security upgrades in the energy sector as well as falling crude oil and natural gas production. In the non-energy sector, output was affected by industrial action at Trinidad Cement Limited (TCL) which, in turn, negatively impacted the construction and manufacturing sectors.

- Against the backdrop of the lacklustre economic activity and relatively stable core inflation, the Bank maintained an accommodative monetary stance in support of recovery, especially in the non-energy sector. The Repo rate which held steady at 3.00 per cent since July 2011 was reduced to an all-time low of 2.75 per cent in September 2012. This reduction in the repo rate encouraged commercial banks to further reduce loan rates.

- Limited investment opportunities and sluggish credit growth combined with substantial net domestic fiscal injections led to a buildup of liquidity as reflected in the excess reserves at the Central Bank. In response, the Central Bank implemented liquidity absorption measures, thereby requesting commercial banks to hold an additional amount, $1,490 million, in interest bearing deposits at the Central Bank.

- The substantial expansion in liquidity has kept short-term interest rates at record low levels with the yield on the three month Treasury bill rate hovering around 0.52 per cent in September 2012. Despite the low interest rate environment the growth in credit to the private sector by the consolidated financial system was still modest.

- The low interest rate environment has affected profitability and the rate of growth of assets across financial institutions. Banks have continued to take steps to lower interest expense as interest income has declined and have also looked to other sources of income to boost their profitability. For the non-banks, it is proving more difficult given the increased competition from banks and the strategic decisions taken by banks to move their non-bank activities within their purview. As such, a number of non-banks have modified their business models to remain profitable. It is also challenging for insurance companies and pension funds that have to meet policyholders' obligations and payments of pension benefits but are now earning less income on their assets.

The Banking System

- Amid the sluggish economic environment, the banking system remained well capitalized, highly liquid and profitable. Credit quality improved as the banks adopted measures to stem the deterioration experienced in 2011. The ratio of non-performing loans to gross loans declined to 5.4 per cent at the end of September 2012 from 7.5 per cent one year earlier.

- Commercial banks capital adequacy ratios remained well in excess of the 8 per cent regulatory requirement. As at the end of September 2012 the ratio of qualifying capital to risk adjusted assets stood at 25.4 per cent. The stress tests based on the June 2012 data suggested that the banking system as a whole remained sufficiently capitalized to withstand severe shocks.

- The low interest rate environment has been eroding commercial banks' interest income. As such, the banks continued to lower interest rates on deposits as a means of counteracting the impact on profitability. In addition, banks benefitted from a significant expansion in dividend income. The return on assets and return on equity increased to 2.5 per cent and 17.6 per cent, respectively, on a year-on-year basis to

September 2012. Compared with a return on asset of 2.3 per cent and a return on equity of 16.8 per cent one year earlier.

- The banks' foreign country exposure as a per cent of total foreign currency assets increased to 32 per cent in September 2012 from 26.3 per cent one year earlier. This expansion was mainly due to banks holding higher amounts of US treasuries. Most of the banks' foreign country exposure is to the US, followed by CARICOM. The banking sector has very little direct foreign exposure to Euro-Zone countries.

- Banks' large credit exposures are spread across several sectors of the local economy but there are areas of concentration in the other services (which includes government), finance and real estate sectors. The recent stress test on large exposure suggested that this could be an area of vulnerability. The Central Bank has intensified its monitoring of large exposure.

Non-Bank Financial Institutions

- The non-banking sector has been affected more severely by the slower economic environment than the commercial banks as their loan and investment portfolios contracted during the period under review. Moreover, credit quality has deteriorated as the ratio of non-performing loans to gross loans increased to 7.4 per cent in September 2012. However, this was partly due to one commercial bank selling a significant portion of a large non-performing facility to its non-bank subsidiary.

- Profitability of non-banks has been negatively affected by the subdued capital market activity, the decline in earning assets and the low interest rate environment. At the end of September 2012, the return on assets and equity declined on a year-on-year basis to 7.2 per cent and 18.1 per cent, respectively. In spite of the challenge faced by the non-banks they appear to be sufficiently capitalized to deal with financial strains. At the end of September 2012, the capital adequacy ratio stood at 38.7 per cent.

Life Insurance Companies [1]

- Life insurance companies continued to exhibit positive performance in 2012 mainly on account of the growth in non-traditional business, in particular the wealth management products. However, the traditional life business registered a small decline due to the fall in the health category.

- At the same time, profitability and the rate of growth of assets are being affected by the low interest rate environment. In this setting and in line with the requirements in the new Insurance Bill, insurance companies have been strengthening their actuarial reserves. This is being reflected in the capital adequacy indicators, including the ratio of capital to technical reserves which has been declining since 2008. At the end of June 2012 this measure stood at 28.5 per cent, down from 31 per cent one year earlier and 37.1 per cent in June 2008.

- Asset quality has been steadily improving since June 2009 as life insurers reduced exposures to related parties, increased holdings of government securities and lowered equity holdings. Moreover, the share of liquid assets (liquid funds, fixed deposits and mutual funds) in total assets has been progressively rising.

- Earnings and profitability have been negatively impacted by limited re-investment opportunities, persistent low interest rates and a rise in expenses. Hence, the return on investment fell to 5.3 per cent in June 2012 from 6.2 per cent in June 2011 while the return on equity slipped to 12 per cent from 14.3 per cent over the same period.

- At the end of June 2012 the Statutory Fund for the consolidated life insurance sector was in surplus of $801.6 million.

[1] This report on the insurance sector excludes CLICO and BA

Non-Life Insurance Companies

- The performance of the non-life insurance segment was driven primarily by premium income from property business. With non-life insurers continuing to reinsure more of their business with international reinsurers, the retention ratio (a measure of how much business domestic insurers do not cede) declined from 44.8 per cent to 42.2 per cent in the 12 months to mid 2012. Claims incurred over this period expanded on account of higher property claims for fire and flooding.

- Asset quality improved as considerable progress was made by insurers to collect on accounts receivables. The Central Bank has been engaging with companies to strengthen their credit collection mechanisms to further reduce such exposures.

- The net technical reserves ratio (which indicates the amount of reserves set aside from profits to pay claims) increased significantly, rising to 159.2 per cent in June 2012 from 143.9 per cent in June 2011. This was as a result of the Central Bank's regulatory action requiring companies to strengthen their claims reserves.

- Profitability improved as income from trade financing grew significantly. Consequently, both the return on assets and the return on equity increased year-on-year to June 2012. Also, liquidity levels for the non-life sector remained satisfactory as current assets (liquid funds, treasury bills and mutual fund holdings) were sufficient to meet current liabilities notably claims outstanding to be paid.

- With respect to the motor business, the industry reported a net surplus of $165.8 million in the Statutory Fund for the period ended June 30, 2012.

Occupational Pension Plans

- Occupational pension plans, assets grew by 8.1 per cent year-on-year to June 2012 and represented over 20 per cent of GDP. The industry continued to face challenges posed by limited new investment opportunities and the prevailing low interest rate environment.

- Actuarial valuations reports for the triennial period 2009 to 2011 indicated that the number of plans in surplus had declined along with the average funded ratio. More plans recorded deficits largely on account of the lowering of the interest rate assumption used to determine pension plans earnings on long-term investment. Higher salary increases than initially projected also contributed to the decline in funding surpluses.

- Pension plans are vulnerable to a number of risks due to the current low interest rate environment. Reduced cash inflows could negatively impact the ability of plans to meet long term obligations, as more cash is diverted away from investment and used to pay current pension benefits. It would also require, in the case of defined benefit pension plans, more contributions by employers and employees where plans are in deficit.

Regulatory Developments

- During 2012 the Central Bank continued to undertake initiatives to strengthen the supervisory and regulatory architecture of the financial system. The Central Bank had several meetings with the Legislative Review Committee of Cabinet to finalize certain policy positions regarding the Insurance Bill. The Bill is expected to be laid in Parliament in 2013.

- Further, the Central Bank in conjunction with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) reviewed the draft Securities Industry Bill in 2012. The Securities Act (2012) was passed in Parliament and assented to on December 31, 2012.

- During 2012 Trinidad and Tobago made significant progress in improving strategic deficiencies in the Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) framework. As such, the Financial Action Task Force (FATF) announced on October 19, 2012 that Trinidad and Tobago was no longer subject to the FATF's special monitoring process under its ongoing global AML/CFT framework.

- The Foreign Account Tax Compliance Act (FATCA) introduced by the US, requires financial institutions around the world to enter into an agreement with the US Internal Revenue Service (IRS) to disclose information pertaining to accounts owned by US tax payers or non-US entities in which US tax payers hold significant ownership. The Central Bank has written to the financial institutions under its purview to ascertain their readiness for FATCA.

ADVANCE COPY

CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

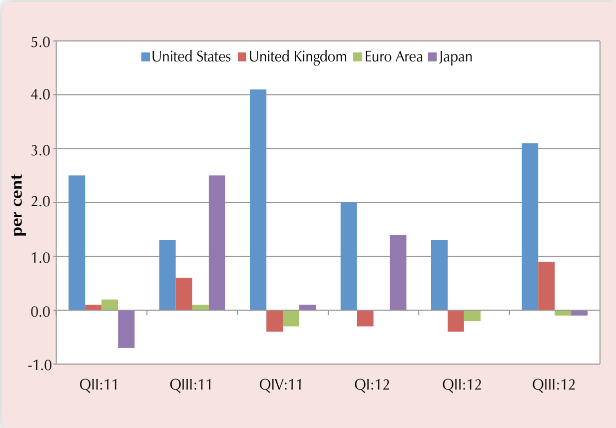
CHAPTER 1

THE MACROECONOMIC ENVIRONMENT

The global recovery was fragile in 2012 and was setback by the escalation of the sovereign debt and banking crisis in the euro zone, fiscal challenges in the US and the possible breach of the US debt ceiling. In the Euro area, the fiscal and banking challenges moved beyond Greece and Portugal to Spain and Cyprus. European policy makers have undertaken numerous policy actions in an effort to stabilize financial markets, but confidence remained low. In the US, the authorities have managed to find a consensus to the fiscal impasse but the solution is only temporary. In addition, the pace of growth in some key emerging market countries has slowed, dampening expectations for global growth. As such, the IMF revised downward its global growth forecast for 2012 and 2013 to 3.3 per cent from 3.5 per cent and to 3.6 per cent from 3.9 per cent, respectively.

Chart 1.1
Advanced Economies: Real GDP Growth

(Quarter-on-Quarter Per Cent Change)



Source: Central Bank of Trinidad and Tobago.

The economic recovery in the US lost momentum in the second quarter of 2012 but picked up in the third quarter as the economy grew by 3.1 per cent (Chart 1.1). In light of the high unemployment and relatively contained inflationary pressures, the Federal Reserve adopted a new round of quantitative easing in September 2012 involving substantial purchases of mortgage-backed securities to provide further liquidity to US financial markets. Moreover, it was announced that the Fed Fund rate was likely to stay near zero at least through mid 2015. As the fiscal cliff deadline expired at the end of December 2012, the US lawmakers passed a bill on 1 January 2013, averting the full brunt of the automatic spending cuts and tax increases. This helped to ease recessionary concerns temporarily, but more actions will be required in the first quarter of 2013 to address the spending cuts and the debt ceiling. With respect to the latter, if meaningful steps are not pursued, the US could face a downgrade.

The Euro Area slipped into recession as growth in the region contracted for the second consecutive quarter ending September 2012. Austerity measures and on-going weaknesses in the balance sheets of banks and governments in some countries continued to weigh on economic activity. Market fears heightened over the summer following the downgrade of Spanish banks, requiring the Spanish authorities to request bailout funding to the tune of 100 billion to recapitalize its banking system. With confidence deteriorating rapidly in the Euro Area, the European Central Bank designed a bond-buying programme (the Outright Monetary Transactions (OMT) programme) aimed at strengthening liquidity through potentially unlimited buying of short-maturity government bonds (1 to 3 years), once a country commits to a European Financial Stability Facility/ European Stability Mechanism Programme. Towards the end of 2012, the European Union Finance Ministers agreed on the establishment of the Single Supervisory Mechanism which is aimed at restoring confidence in the banking system (Box 1.1).

Sentiment in global financial markets has been dictated mainly by the crisis in the Euro area throughout the year. However, the fiscal challenges in the US and the slowdown in growth in China also contributed. This was reflected in the US Volatility Index, the VIX, which peaked in June 2012, during the height of the euro area crisis. The index has trended down since then following actions taken by the ECB and other central banks. Likewise, Europe's volatility index, the VStoxx has followed a similar trend. Market anxieties were also reflected in the performance of global equity and bond markets during the year. After beginning the year strongly, equity markets in the US and other developed nations plummeted in the second quarter. The equity markets have since bounced back, with the S&P 500 and the MSCI EAFE up 13.4 per cent and 13.6 per cent, respectively in the twelve months to December 2012. Sovereign spreads also improved, with the Spanish and Italian 10 year spreads narrowing to 349 basis points and 273 basis points, respectively in December 2012.

Meanwhile, in the UK, the Olympic Games provided a much-needed fillip to economic activity, effectively lifting the economy out of recession in the third quarter of 2012. With financial markets however, still quite jittery, the Bank of England expanded its Asset Purchase Programme by some £50 billion in July 2012 to shore up liquidity in the financial system.

Emerging market economies have started to experience some moderation in their growth rates partly due to the contagion effects from the European crisis. With export demand slowing and their economies continuing to adjust to the policy tightening conducted over the previous two years, economic activity in China and India was lower than expected.

Most Caribbean countries are being affected by the slower global growth prospects and high debt levels. In 2012, prospects for growth in the region hinge on developments in key markets. The IMF, in its latest World Economic Outlook estimated growth in the Caribbean region to be around 2.8 per cent for 2012, with growth prospects for commodity exporting economies better than for the tourism dependent ones.

Amidst the fragile global recovery and the sluggish growth in the Caribbean region, Trinidad and Tobago's economic performance has been lethargic. According to the Bank's Quarterly Index of Real Gross Domestic Product (GDP), economic activity contracted by 3.6 per cent year-on-year to the quarter ending June 2012 mainly on account of prolonged maintenance work and security upgrades in the energy sector (Chart 1.2). With respect to the non-energy sector, output was affected by industrial action at Trinidad Cement Limited (TCL) which led to a severe drop in cement output that spilled over to activity in the construction and manufacturing sectors.

Inflationary pressures have retreated from the high double digit rates that were recorded earlier in the year to more moderate levels. Headline inflation decelerated to 8.1 per cent in November, following the slowdown in food

Box 1.1
New Regulatory Initiatives

A number of regulatory reforms have been undertaken at the global level with the aim of improving financial stability. Some of these include:

- Basel III enhanced capital and liquidity requirements aim at strengthening banks' resilience and ability to absorb losses. Under Basel III the definition of capital has been amended and the risk weights assigned to assets have been changed to better reflect risk. Globally systemically important banks are subject to additional capital surcharge. The new liquidity ratios require that banks hold more short-term high quality assets.

- The global regulatory reform places emphasis on a resolution framework that will reduce financial institutions use of public funds when they fail.

- Reforms have also taken place at the national level and are geared at restricting business activity of banks preventing them from investing in activities deemed too risky.
    - For instance, in the US the Volcker rule (under the Dodd-Frank Act) restricts banks from engaging in trading activities, ownership of private capital and hedge funds, relegating these to non-banks and investment banks.
    - Also in the UK, the Vickers Report calls for ring-fencing of UK retail banks from investment banking activities and suggest charging additional capital for ring-fenced entities.

- The global reform agenda also calls for the monitoring of activities of shadow banking or the non-bank sector.

Source: IMF, Global Financial Stability Report, October 2012.

prices. With domestic demand still relatively subdued, core inflation has remained fairly stable at just around 3.1 per cent (Chart 1.3).

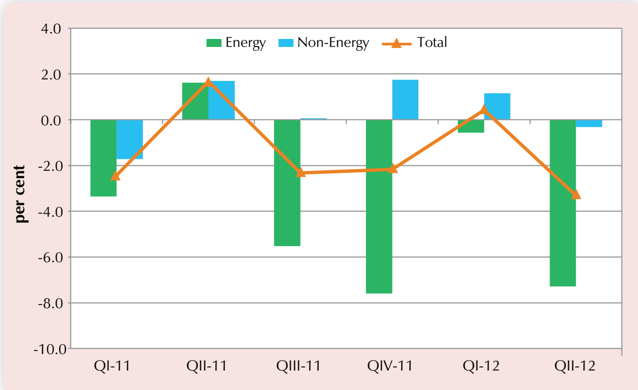
Given the relatively stagnant economic activity and the moderation in headline inflation, the Bank maintained an accommodative monetary stance to support a recovery, especially in the non-energy sector. The Repo rate which held steady at 3.00 per cent since July 2011 was reduced to an all-time low of 2.75 per cent in September 2012 (Chart 1.4). Subsequently, commercial banks have begun to adjust their prime lending rates downwards.

Fiscal policy focused on stimulating the economy. Accordingly, an estimated deficit of $6.1 billion or 4 per cent of GDP was realized for fiscal year 2011/2012 (October to September), significantly larger than the deficit of $1.1 billion recorded a year earlier. The public debt, exclusive of treasury bills and notes issued for open market operations, increased to TT$71.6 billion or 46.6 per cent of GDP, largely reflective of CLICO's financing.

Significant net fiscal injections along with sluggish credit demand led to a rapid build-up of liquidity in the financial system with commercial banks' excess reserves at Central Bank peaking at $6.6 billion in March 2012. To address this sizeable upsurge, the Central Bank requested commercial banks to voluntarily increase their holdings of interest-bearing deposits at the Central Bank by $1,490 million for one year. Commercial banks' excess reserves (which exclude special deposits) fell steadily thereafter, reaching a daily average of $3850.3 million in September 2012. The excess liquidity conditions were also addressed through the Central Bank open market operations and foreign exchange sales.

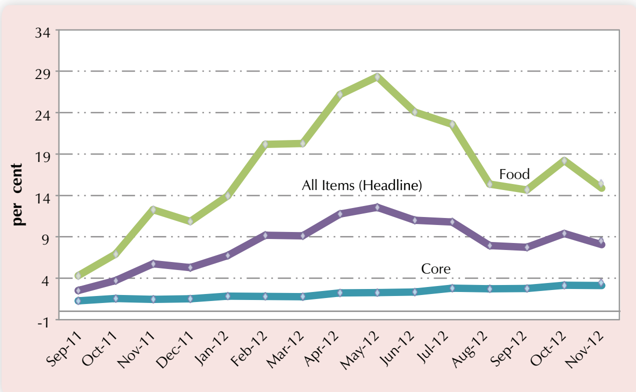
The substantial expansion in liquidity has kept short-term interest rates at record low levels with the yield on the three month treasury bill rate hovering around 0.52 per cent in September 2012.

Chart 1.2
Trinidad and Tobago: Real GDP Growth
/Year-on-Year Per cent Change/



Source: Central Statistical Office of Trinidad and Tobago.

Chart 1.3
Index of Retail Prices
/Year-on-Year Per cent Change/



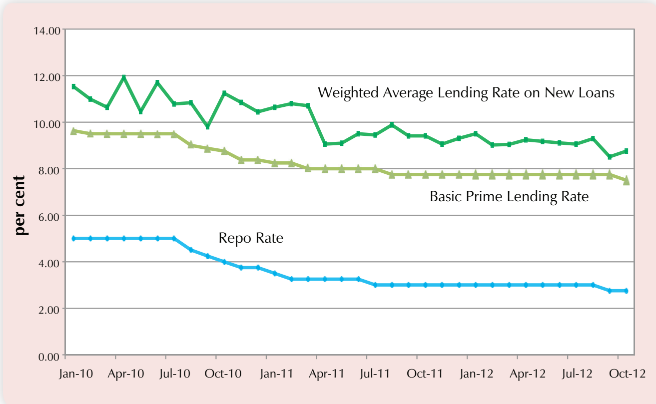
Source: Central Bank of Trinidad and Tobago.

In spite of the low interest rate environment borrowing remained sluggish. Consolidated financial system credit to the private sector grew by 3.2 per cent (year-on-year) in September 2012. Commercial banks were responsible for the modest increase, given that credit granted by nonbank institutions declined over the period. Credit to consumers from the financial system grew by 2.8

per cent in September 2012, mainly for purchases of furnishings and new motor vehicles. Credit to businesses which had been staging a modest recovery since March 2012, slowed to 1.0 per cent in September 2012. Real estate mortgage lending has been the only category that has maintained a consistent rate of expansion in 2012 (Chart 1.5).

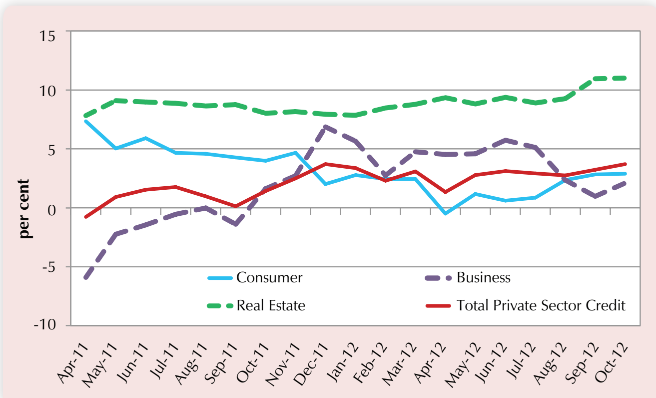
The domestic stock market performed sluggishly in the first three quarters of 2012, despite an uptick in activity in the third quarter. The Composite Price Index rose by 5.3 per cent in the first nine months of the year, resulting in a 2.9 per cent increase in market capitalization to $98.7 billion in September. Trading activity, however, remained subdued, with 39.6 million shares traded in the first three quarters of 2012 compared with 549.7 million in the corresponding period of 2011. During this period, there was a significant fall-off in activity on the local primary bond market, with a mere six primary issues over the period, compared to twelve issues in the same period of 2011. However, the secondary Government bond market saw a significant increase in activity, largely reflecting portfolio rebalancing by some institutional investors. Bonds with a combined face value of $788 million were traded over the period, compared to $117.9 million in the corresponding period in 2011. During the first nine months of the year, the Central Government yield curve flattened as short and long-term yields trended in opposite directions.

Chart 1.4
Selected Interest Rates



Source: Central Bank of Trinidad and Tobago.

Chart 1.5
Private Sector Credit by the Consolidated Financial Sector
/Year-on-Year Per Cent Change/



Source: Central Bank of Trinidad and Tobago.

RISKS TO FINANCIAL STABILITY

At the global level, risks to financial stability have increased in 2012 as the euro area sovereign debt and banking crises have intensified. Banks in the Euro area face severe liquidity constraints, deterioration in asset quality, deleveraging pressures, and must be recapitalized, restructured or resolved urgently. The fiscal challenges in the United States (US) also threaten financial stability. Although the uncertainty surrounding the fiscal cliff has been somewhat removed following the recent passage of the bill, concerns still remain about the impact of the US austerity measures on economic activity.

Spillovers from the Euro area crisis have engendered slower growth in emerging and developing economies. Also, as recipients of significant safe haven financial flows, these countries risk the disruptive impact on their economies and on financial stability of "sudden stops" or reversals of these flows.

For Trinidad and Tobago, contagion via the trade channel could have a negative effect on some financial entities. This could come partly through the worsening of the economic situation in CARICOM member states, which purchase some 40 per cent of Trinidad and Tobago's non-energy exports. The challenges in the global economy have already weakened the region's ability to import because of a fall off in foreign exchange inflows from the US and Europe through trade, tourism and remittances. If the US were to return to recession, even as the Euro area struggles to recover, Trinidad and Tobago's exports to CARICOM could fall as the region's ability to buy Trinidad and Tobago's goods will be further impaired. Moreover, a global recession precipitated by economic slump in the US could lower demand for the country's energy products, impacting the energy and non-energy sectors, including the financial sector. If as a result of these developments, exporters are unable to meet their financial commitments to domestic financial institutions, financial stability could be undermined.

Financial institutions

This report features financial institutions that are currently under the purview of the Central Bank. Provisional data to June 2012 revealed that collectively, commercial banks, nonbank financial institutions, insurance companies and private registered pension funds represented 75.6 per cent of total financial systems' assets and 119.4 per cent of GDP (Table 1.1).

Table 1.1
Trinidad and Tobago: Structure of the Financial System
2007- June 2012

	2007	2008	2009	2010	2011	Jun-12
As a Per Cent of Total Financial System Assets						
Commercial Banks	36.5	39.1	44.7	45.4	46.3	46.1
Nonbank Financial Institutions	13.6	12.0	5.9	4.9	4.1	3.8
Credit Unions	3.2	3.1	3.4	4.0	4.0	3.9
Life Insurance Companies	16.2	15.9	14.8	13.3	12.0	12.3
Occupational Pension Funds	12.3	11.0	11.5	12.4	13.1	13.4
Development Banks	1.3	1.5	1.6	1.6	1.6	1.6
Thrift Institutions	0.0	0.0	0.0	0.0	0.0	0.0
National Insurance Board	7.4	7.6	7.7	8.4	9.0	9.1
Unit Trust Corporation	9.1	9.2	9.8	9.2	9.0	9.0
Deposit Insurance Corporation	0.5	0.6	0.6	0.7	0.8	0.8
As a Per Cent of GDP						
Commercial Banks	55.3	50.2	83.6	78.0	77.2	72.8
Nonbank Financial Institutions	20.5	15.5	11.1	8.4	6.9	6.0
Credit Unions	4.8	4.0	6.4	6.9	6.7	6.2
Life Insurance Companies	24.5	20.4	27.6	22.8	20.1	19.4
Occupational Pension Funds	18.6	14.1	21.5	21.4	21.8	21.2
Development Banks	1.9	1.9	3.0	2.8	2.7	2.6
Thrift Institutions	0.1	0.0	0.1	0.1	0.1	0.1
National Insurance Board	11.2	9.8	14.5	14.5	15.1	14.3
Unit Trust Corporation	13.8	11.9	18.3	15.7	15.0	14.2
Deposit Insurance Corporation	0.8	0.7	1.2	1.2	1.3	1.3
Stock Market						
Number of Listed Companies	33	34	32	31	31	30
Market Capitalization (in billions of TT$)	98.2	76.4	70.6	77.8	94.5	94.0
Market Value of Shares Traded (in millions of TT$)	2,250.0	2,191.0	1,474.2	864.5	1,029.0	336.8
Memo Item						
GDP (in billions of TT$)	137.0	175.3	124.4	133.0	143.9	153.6

Source: Central Bank of Trinidad and Tobago.
* Estimate for Dec-11 used in 2012.

CHAPTER 2

THE BANKING SECTOR AND FINANCIAL STABILITY

CHAPTER 2

THE BANKING SECTOR AND FINANCIAL STABILITY

A. Commercial Banks

The commercial banking sector performed creditably despite the prevailing economic conditions. Although, the system remained well capitalized and highly liquid, overall profitability has been affected by the low interest rate environment. The banks took steps to maintain their profitability during 2012 by lowering their funding costs and bolstering other sources of income. In addition, banks have been pursuing initiatives to improve asset quality by restructuring and writing off non-performing loan facilities.

Deposits

Commercial banks' deposits continued to grow in 2012 in the absence of other investment alternatives and were concentrated in demand deposits as opposed to other longer term deposits. Commercial banks' total deposit liabilities grew in 2012, albeit at a slower pace, expanding by 8.5 per cent year-on-year to September compared to 10.9 per cent, one year earlier. The increase was concentrated in demand and savings deposits which grew by 7.7 per cent and 13.9 per cent, respectively for the 12 months to September 2012, while time deposits contracted marginally by 0.7 per cent **(Table 2.1)**.

Depositors appeared to be indifferent to the very low interest rates as reflected in the huge build up in the non-interest bearing demand deposits and the 16 days - 3 months call deposits, compared to the other low interest bearing deposit facilities. Moreover, the significant increase in demand deposits was related in part to a temporary placement of government funds.

Median rates across the various categories of time deposits declined year-on-year to September 2012, leading to a leveling of rates among the different deposit categories. This encouraged some retail and corporate customers to retain significant portions of their funds in shorter-term demand and savings deposits **(Table 2.2)**.

Foreign currency deposits expanded year-on-year by 3.1 per cent in September 2012 **(Table 2.3)**, mainly on account of larger holdings by corporate entities. However, as a percentage of total deposits, foreign currency deposits declined slightly to 25.7 per cent from 27.1 per cent one year ago. There has been a narrowing of the differential between the TTD and USD deposit rates over the last few years. As at September 2012, the differential stood at 4 basis points **(Chart 2.1).**

Chart 2.1
Commercial Banks: Weighted Average Deposit Rates
TT Dollar and Foreign Currency

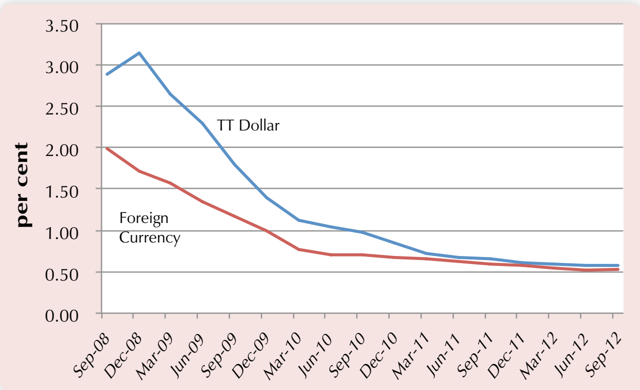


Table 2.1
Commercial Banks: Deposits

	Total Outstanding Sep 2011 (TT$m)	Total Outstanding Sep 2012 (TT$m)	Year-on-Year Change Sep 2011 (Per cent)	Year-on-Year Change Sep 2012 (Per cent)
Demand Deposits				
Non Interest Bearing	7,581.7	19,540.4	20.2	157.7
Interest Bearing	23,095.4	13,499.6	28.6	-41.5
Total	**30,677.2**	**33,040.0**	**26.4**	**7.7**
Saving Deposits				
Ordinary & Cheque	18,501.1	22,093.6	13.7	19.4
Special	13,335.4	14,181.0	12.7	6.3
Total	**31,836.5**	**36,274.6**	**13.3**	**13.9**
Time Deposits				
Call Deposits	397.8	372.0	-7.8	-6.5
16 days - 3 mths	1,125.2	2,691.1	-46.5	139.2
Over 3 mths - 6 mths	1,302.5	2,099.9	-54.5	61.2
Over 6 mths - 1 year	9,956.1	7,168.6	-11.2	-28.0
Over 1 year	3,280.2	3,613.1	75.2	10.1
Total	**16,061.8**	**15,944.7**	**-13.1**	**-0.7**
Total Deposits	**78,575.5**	**85,259.3**	**10.9**	**8.5**

Source: Central Bank of Trinidad and Tobago.

Table 2.2
Commercial Banks: Median Deposit Rates

/Per cent/

	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
Demand Deposits						
Interest Bearing	0.013	0.003	0.003	0.003	0.000	0.003
Saving Deposits						
Ordinary	0.300	0.200	0.200	0.200	0.200	0.200
Special	0.300	0.200	0.200	0.200	0.230	0.230
Time Deposits						
Call Deposits	0.000	0.000	0.000	0.000	0.000	0.000
16 days - 3 mths	0.500	0.290	0.230	0.230	0.230	0.230
Over 3 mths - 6 mths	0.790	0.790	0.790	0.610	0.610	0.660
Over 6 mths - 1 year	1.350	1.510	1.510	0.710	0.710	0.710

Source: Central Bank of Trinidad and Tobago.

Commercial Banks' Assets

In terms of asset composition, loans accounted for the largest share of the assets at 42.0 per cent, while investments comprised 19.5 per cent. Meanwhile, liquid funds have increased and now represent 24.6 per cent of total assets **(Table 2.4)**.

The commercial banks' investment portfolio expanded by 39.3 per cent year-on-year to September 2012. Most of the growth in investments was attributable to increased holdings of government treasury bills, and more specifically, US treasury bills. The low issuance of corporate securities in the local economy may have also influenced the higher holdings of US treasury bills. Loans increased but at a slower pace than one year ago.

Private Sector Credit

Although credit to the private sector is recovering, the growth in credit to the business sector has slowed as economic activity remained subdued. Private sector credit grew by 4.7 per cent on a year-on-year basis to September 2012**,** while credit to the business sector slowed to 1.6 per cent, compared with 5.0 per cent one year earlier. This increase in business credit was concentrated largely in the manufacturing and services sectors. Growth in consumer credit moderated to 2.6 per cent (year-on-year). Real estate lending remained the main driver of private sector credit, expanding by 10.9 per cent year-on-year.

Table 2.3
Commercial Banks: Foreign Currency Deposits

	Total Outstanding Sep 2011 (TT$m)	Total Outstanding Sep 2012 (TT$m)	Year-on-Year Change Sep 2011 (Per cent)	Year-on-Year Change Sep 2012 (Per cent)
Foreign Currency				
Demand Deposits	6,477.1	7,028.4	64.6	8.5
Saving Deposits	9,924.7	10,267.3	17.1	3.5
Time Deposits	4,890.1	4,656.9	-21.6	-4.8
Total Foreign Currency Deposits	**21,291.9**	**21,952.6**	**14.2**	**3.1**

Source: Central Bank of Trinidad and Tobago.

Table 2.4
Commercial Banks: Distribution of Assets
/Per cent/

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Sep-11	Sep-12
Liquid Funds	15.3	21.2	23.2	22.2	23.9	23.1	24.6
Interbank Funds Sold	0.4	0.0	0.2	0.2	0.7	0.5	0.3
Investments (net)	15.1	12.5	17.3	18.2	18.6	18.3	19.5
Loans (net)	52.8	51.5	43.5	43.6	42.3	43.3	42.0
Businesses	*25.6*	*25.5*	*20.6*	*20.0*	*20.0*	*20.1*	*19.5*
Consumers	*21.9*	*20.5*	*17.3*	*18.4*	*18.1*	*17.7*	*17.9*
Other Assets	16.4	14.8	15.8	15.8	14.5	14.8	13.6

Source: Central Bank of Trinidad and Tobago.

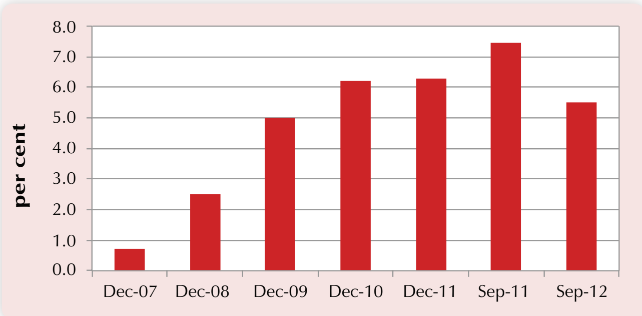
Prudential Indicators

Credit Quality

There has been some improvement in credit quality during the first nine months of 2012, as banks took aggressive steps to contain the deterioration in 2011 by restructuring and writing off non-performing credit facilities. In addition, one commercial bank sold a significant portion of a large non-performing facility to its non-bank subsidiary. Overall, the ratio of non-performing loans (NPLs) to gross loans declined to 5.4 per cent in September 2012 from 7.5 per cent in September 2011 **(Chart 2.2)**. The latest available data on NPLs by sector **(Chart 2.3)** show that most of the non-performing credit facilities pertained to "luxury" real estate which accounted for 39 per cent of the total NPLs in June 2012 compared to 34 per cent one year earlier.

As a further strategy to manage credit quality, some commercial banks have been allocating larger provisions to absorb potential losses in certain sectors **(Box 2.1)**. As a result, the ratio of specific provisions to impaired assets increased to 42.2 per cent in September 2012 from 24.4 per cent one year earlier **(Table 2.5)**.

Chart 2.2
Commercial Banks: Non-Performing Loans to Total Loans
/Per cent/



Liquidity

In 2012 liquidity within the financial system remained high as reflected in the build-up of commercial banks excess reserves at the Central Bank **(Chart 2.4)**. Commercial banks' excess reserves at the Central Bank peaked at $6.6 billion in March 2012, prompting the Central Bank to employ liquidity management measures.

Earnings and Profitability

Despite falling interest income commercial banks were able to maintain profitability in 2012, mainly by reducing funding costs. Over this period, banks lowered interest rates on deposits resulting in a 10 basis points decline in the weighted average deposit rate. Furthermore, banks' profitability was enhanced by increased dividend income from subsidiaries and affiliates which tripled relative to the corresponding period one year earlier. Hence, profitability improved as reflected by the higher returns on assets and equity.

Meanwhile, the efficiency ratio increased although the banks implemented significant cost cutting measures (**Table 2.6**).

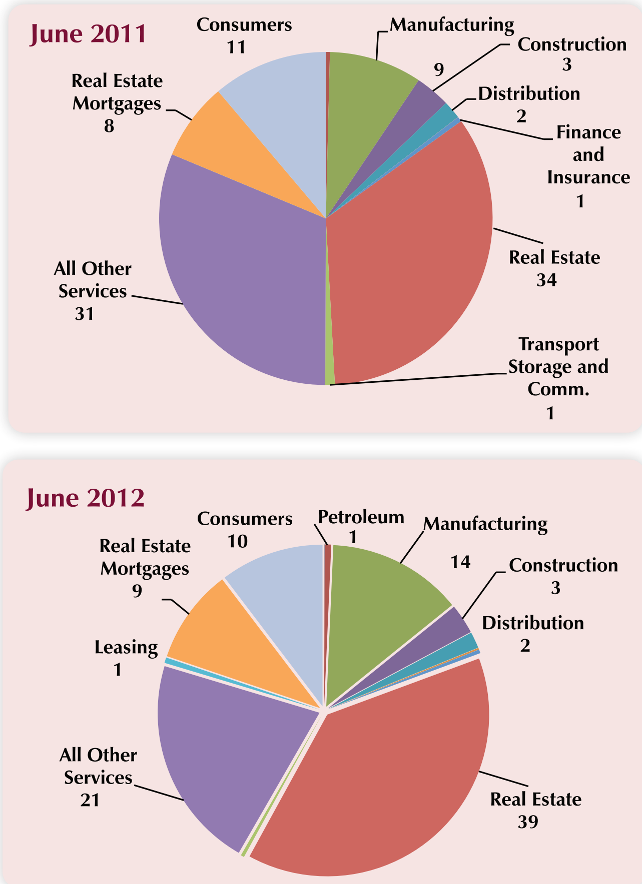
Capital Adequacy

Commercial banks continued to maintain high levels of retained earnings and hold liquid assets with lower risk profiles well in excess of the 8 per cent regulatory requirement. As at September 2012, the ratio of qualifying capital to risk adjusted assets stood at 25.4 per cent. .

Foreign Exposure

Foreign country exposure as a percentage of commercial banks' foreign currency assets increased to 32 per cent at the end of September 2012, up from 26.3 per cent one year earlier. The largest foreign exposure was to the United States and accounted for 14.3 per cent of total foreign currency assets. Most of this US exposure is in the form of Treasury bills which grew significantly during the period as the US safe haven status remained intact despite the fiscal cliff challenges. The second largest exposure was to CARICOM, which accounted for 13.8 per cent of foreign currency assets. Within CARICOM, the largest exposure was to Barbados as commercial banks engaged in strategic acquisitions and expanded their ownership in regional financial institutions. The local commercial banking sector had very little direct foreign exposure to Euro zone countries (**Table 2.7**).

Chart 2.3
Commercial Banks: Non-Performing Loans by Sector
/Per cent/



Large Credit Exposures

Although large exposures of commercial banks are widely dispersed across several sectors of the domestic economy concentration exists in a few sectors **(Chart 2.5)**. In particular, most of the large exposures are in the other services sector, which as a percentage of total large exposures increased considerably to 33.6 per cent in September 2012 from 16 per cent in the same period in 2011. This sector comprised mainly loans to government bodies, which have government guarantees. These instruments are considered low risk to the financial system. The exposures within the financial and real estate sectors however, represent some vulnerability in the system. Although concentration in real estate has declined, it remains high at 15.1 per cent of total large exposures. There was a significant falloff in large exposures within energy and mining over the 12 months to September 2012.

Non-Bank Financial Institutions

The non-bank sector has been more seriously affected than the commercial banks by the slower pace of economic activity. Faced with weak credit demand, both the loan and investment portfolios contracted year-on-year to September 2012 by 3.1 per cent and 15.9 per cent, respectively. Profitability has been dampened by the low interest rate environment and subdued capital market activity.

Credit quality of the non-bank sector worsened in 2012 as a few institutions which extended loans to the luxury real estate, hospitality and tourism sectors were negatively affected due to the continued fallout of the global financial and economic crisis. Also contributing to this worsening was the sale of a significant portion of a commercial bank's non-performing facility to its non-bank subsidiary. At the end of September 2012, the ratio of non-performing loans to gross loans deteriorated to 7.4 per cent from 4.1 per cent a year earlier (**Table 2.8**. In addition, the sector's ratio of specific provisions to impaired assets rose to 37.6 per cent in September 2012 (**Table 2.9**).

During 2012, profitability was affected by lower capital market activity. In addition, the decline in earning assets (loans and investments) and the generally low levels of interest rates also impacted profitability. With the major earning sources for the sector down, profits before taxes fell by 21.4 per cent for the first three quarters of 2012.

Chart 2.4
Commercial Banks: Excess Reserves
/TT$ Million/

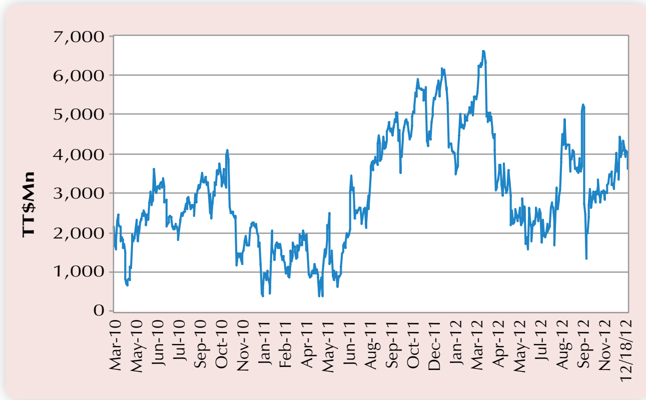


Chart 2.5
Commercial Banks: Large Exposure by Sector

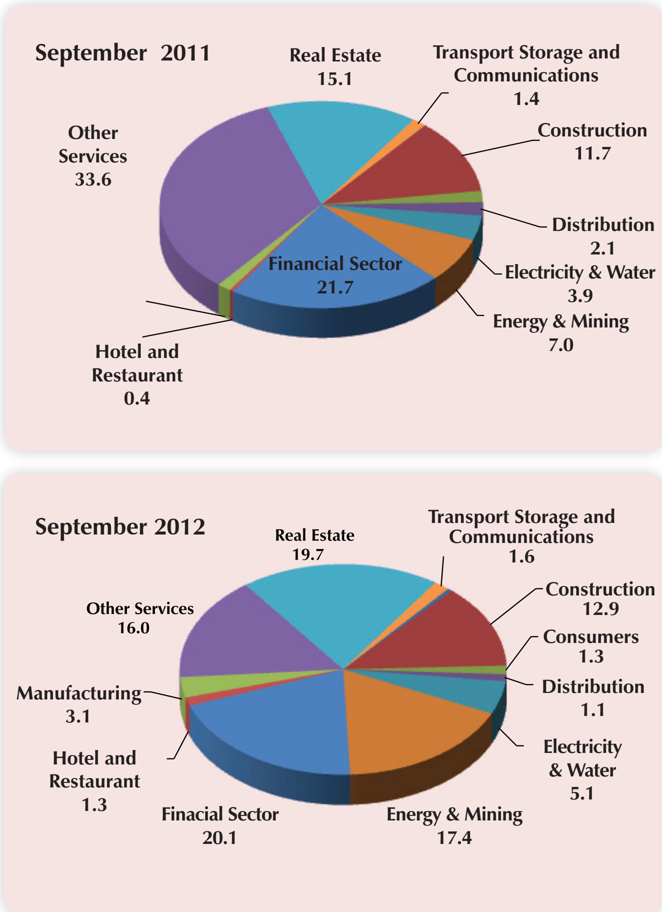


Table 2.5
Commercial Banks: Financial Soundness Indicators
2007 - Sep 2012

	2007	2008	2009	2010	2011	Sep-11	Sep-12
(in per cent unless otherwise indicated)							
Capital adequacy							
Regulatory capital to risk-weighted assets	19.1	18.8	20.5	24.2	25.1	25.8	25.4
Regulatory Tier I capital to risk-weighted assets	17.0	15.5	18.5	21.7	22.7	22.9	21.8
Regulatory Tier II capital-to-risk-weighted assets	2.1	3.2	2.0	2.5	2.4	2.9	3.6
Regulatory capital-to-total assets	12.4	12.1	10.7	12.2	12.1	12.3	12.8
Banking sector asset composition							
Sectoral distribution of loans-to-total loans							
Households	41.4	39.9	39.8	42.2	42.7	41.0	42.6
of which:							
Proportion secured as mortgage loans	26.1	28.4	36.7	37.4	39.5	40.0	42.6
Financial sector	22.5	19.8	18.8	16.3	17.0	18.1	17.8
Oil and gas sector	2.8	3.3	3.2	3.2	2.8	4.5	2.7
Construction	6.1	6.8	10.3	11.8	11.1	11.1	10.3
Transport and communication	2.8	1.8	2.2	2.0	2.1	1.6	2.8
Non-residents	7.1	6.6	5.9	4.5	4.5	4.8	4.5
Geographic distribution of loans-to-total loans							
Domestic	93.3	93.6	94.5	95.8	95.8	95.6	96.0
Foreign	6.7	6.4	5.5	4.2	4.2	4.4	4.0
Foreign currency loans-to-total loans	21.4	23.0	22.8	18.7	17.7	20.1	17.0
Banking sector asset quality							
Nonperforming loans-to-gross loans	0.7	2.5	5.0	6.2	6.3	7.5	5.4
Nonperforming loans (net of provisions)-to-capital	-0.3	6.7	9.2	13.3	14.5	18.2	9.5
Total provisions-to-impaired loans*	148.2	40.3	55.1	39.5	35.2	30.8	50.2
Specific provisions-to-impaired loans	109.7	29.3	48.1	33.4	28.3	24.4	42.2
General provisions-to-gross loans*	0.3	0.3	0.3	0.4	0.4	0.5	0.4
Specific provisions-to-gross loans	0.8	0.7	2.4	2.1	1.8	1.8	2.3
Banking sector earnings and profitability							
Return on equity	27.3	25.9	20.2	17.2	17.2	*16.8*	*17.6*
Return on assets	3.4	3.5	2.7	2.3	2.4	*2.3*	*2.5*
Interest margin-to-gross income	61.4	65.2	66.6	67.0	64.8	63.9	65.7
Non-interest expenses-to-gross income	48.3	49.7	58.1	63.3	62.1	62.9	70.0
Spread between average lending and deposit rates	7.9	8.3	10.1	9.1	8.6	8.2	8.2
Banking sector liquidity							
Liquid assets-to-total assets	17.0	22.1	25.0	24.3	27.7	26.8	24.5
Liquid assets-to-total short-term liabilities	22.6	30.0	32.5	31.9	36.6	35.6	32.5
Customer deposits-to-total (non-interbank) loans	118.0	124.7	165.2	163.0	172.4	167.5	175.9
Foreign currency liabilities-to-total liabilities	33.8	32.7	33.1	27.5	27.0	28.5	26.7

Source: Central Bank of Trinidad and Tobago.
Figures in italics are estimates for the period.
End of Period except for Banking Sector Earnings and Profitability.
*Note: These ratios are not the typically used measures of financial soundness, but they are included here for comparison purposes.

Interest income plunged by 31.8 per cent relative to the corresponding period in 2011 while fee income has fallen off significantly on account of the lower capital market activity. For the period under review, return on assets and return on equity decelerated to 7.2 per cent and 18.1 per cent, respectively. The outlook for profitability will depend on how successful the non-banks are in their efforts to improve their performance and competitiveness. Some non-banks have been redefining their business models to maintain profitability.

Despite the challenges faced by the non-banks, they appeared to be sufficiently capitalized to withstand financial strains. The capital adequacy ratio increased to 38.7 per cent in September 2012, and comprised mainly of Tier 1 capital **(Table 2.9)**.

Table 2.6
Commercial Banks: Summary Performance Indicators
2007- September 2012

/Per cent/

	2007	2008	2009	2010	2011	Sep-11	Sep-12
Profitability							
Return on Assets	3.4	3.5	2.7	2.3	2.4	2.3	2.5
Return on Equity	27.3	25.9	20.2	17.2	17.2	16.8	17.6
Net Interest Margin/Total Assets	4.3	4.4	4.2	3.8	3.6	2.6	2.5
Efficiency							
Total Operating Expenses/Total Operating Income	64.7	63.9	61.5	63.2	60.5	55.8	68.4
Asset Quality							
Nonperforming Loans/Gross Loans	0.7	2.5	5.0	6.2	6.3	7.5	5.4
Nonperforming Loans net of Provisions/Capital	-0.3	6.7	9.2	13.3	14.5	18.2	9.5
Nonperforming Loans by Type							
Overdraft	0.1	0.2	0.3	0.8	0.2	0.3	0.2
Demand	0.2	1.7	2.9	2.8	3.2	3.5	2.7
Installment	0.2	0.3	0.9	1.2	0.4	0.5	0.3
Real Estate Mortgages	0.1	0.2	0.4	0.4	0.5	0.5	0.5
Credit Cards	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Sources of Income							
As a per cent of total operating income							
Interest Income	75.1	76.0	75.2	72.9	69.7	64.2	67.4
Fee Income	11.3	11.5	11.7	13.3	14.3	15.2	18.1
Foreign Exchange Profit/Loss	6.3	7.4	6.8	7.8	7.7	6.3	7.9
Other Income	7.3	5.0	6.2	6.0	8.3	14.4	6.6

Source: Central Bank of Trinidad and Tobago.
Figures in italics represent estimates for the period.

Table 2.7
Commercial Banks: Foreign Country Exposure

/TT$Millions/

	2007	2008	2009	2010	2011	Sep-11	Sep-12
Total Foreign Country Exposure	**6,259.1**	**5,959.6**	**7,158.1**	**5,764.3**	**7,265.8**	**7,424.2**	**8,799.6**
of which:							
USA	554.8	631.3	2,136.6	1,050.3	2,721.1	2,766.6	3,931.6
Loans	*27.9*	*44.3*	*38.0*	*31.9*	*41.6*	*40.3*	*123.2*
Investments	*527.0*	*587.0*	*2,098.6*	*1,018.4*	*2,679.4*	*2,726.3*	*3,808.4*
Equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
CARICOM	3,696.7	4,131.1	4,191.6	3,902.8	3,641.3	3,696.9	3,809.2
Loans	*1,396.5*	*1,754.5*	*1,743.4*	*1,308.0*	*1,291.1*	*1,324.0*	*1,191.2*
Investments	*1,078.9*	*1,043.1*	*1,105.0*	*1,224.7*	*948.4*	*961.8*	*925.8*
Equity	*1,221.3*	*1,333.5*	*1,343.2*	*1,370.2*	*1,401.7*	*1,411.1*	*1,692.1*
Non-CARICOM CARIBBEAN	1,076.0	921.0	638.6	495.6	541.2	895.3	526.7
Loans	*996.9*	*884.3*	*637.7*	*334.3*	*381.8*	*632.1*	*374.4*
Investments	*0.0*	*35.8*	*0.0*	*160.4*	*158.4*	*157.1*	*151.4*
Equity	*79.1*	*0.9*	*0.9*	*0.9*	*0.9*	*0.9*	*0.9*
EMERGING MARKETS	312.0	263.2	145.6	128.0	103.0	105.3	91.8
Loans	*220.1*	*213.4*	*145.6*	*122.5*	*103.0*	*105.3*	*91.8*
Investments	*91.9*	*49.8*	*0.0*	*5.5*	*0.0*	*0.0*	*0.0*
Equity	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
OTHER	619.6	13.0	45.7	187.6	259.3	65.0	440.2
Memo Item:							
Total Foreign Country Exposure as a per cent of Foreign Currency Assets	**29.6**	**24.0**	**23.2**	**22.7**	**26.5**	**26.3**	**32.0**
of which:							
USA	2.6	2.5	6.9	4.1	9.9	9.8	14.3
CARICOM	17.5	16.6	13.6	15.3	13.3	13.1	13.8
Non-CARICOM CARIBBEAN	6.1	4.6	2.5	2.4	2.0	3.2	1.9
EMERGING MARKETS	0.0	0.0	0.0	0.0	0.4	0.4	0.3
OTHER	0.0	0.0	0.0	0.0	0.9	0.2	1.6

Source: Central Bank of Trinidad and Tobago.
Note: Foreign Country Exposure is measured as the loans, investments and equity held by the commercial banking system in the respective country.

Table 2.8
Non-Bank Financial Institutions*:
Summary Performance Indicators, 2009- Sep 2012

/Per cent/

	2009	2010	2011	Sep-11	Sep-12
Profitability					
Return on Assets	2.1	2.4	6.8	8.0	7.2
Return on Equity	8.0	7.8	18.7	22.1	18.1
Net Interest Margin: Total Assets	2.9	2.8	4.2	3.6	2.3
Efficiency					
Total Operating Expenses: Total Operating Income	73.2	53.9	40.4	56.0	41.6
Asset Quality					
Nonperforming Loans: Gross Loans	1.6	2.8	4.0	4.1	7.4
Nonperforming Loans Net of Provisions: Capital	1.3	2.0	1.8	2.7	4.3

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. By an order of the High Court dated October 17, 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation was appointed liquidator. As a consequence, data reported does not include balances for Clico Investment Bank.

Table 2.9
Non-Bank Financial Institutions: Financial Soundness Indicators
2009 - September 2012

	2009	2010	2011	Sep-11	Sep-12
(in per cent unless otherwise indicated)					
Capital adequacy					
Regulatory capital to risk-weighted assets	27.9	34.4	38.3	38.2	38.7
Regulatory Tier I capital to risk-weighted assets	27.8	33.5	36.8	35.0	36.3
Regulatory Tier II capital-to-risk-weighted assets	0.1	0.8	1.5	3.1	2.4
Regulatory capital-to-total assets	24.3	30.9	34.0	33.9	35.0
Banking sector asset composition					
Sectoral distribution of loans-to-total loans					
Households	19.4	19.6	25.9	26.1	27.3
of which:					
Proportion secured as mortgage loans	22.1	19.5	16.7	16.5	13.1
Financial sector	40.4	24.4	20.7	22.1	16.9
Oil and gas sector	0.2	0.1	0.1	0.1	0.1
Construction	7.3	8.8	4.7	4.8	6.3
Transport and communication	2.6	2.4	3.3	4.8	4.2
Non-residents	32.3	26.9	16.5	16.8	18.7
Geographic distribution of loans-to-total loans					
Domestic	67.7	73.1	83.5	83.2	81.3
Foreign	32.3	26.9	16.5	16.8	18.7
Foreign currency loans-to-total loans	31.2	40.8	19.2	26.2	20.8
Banking sector asset quality					
Nonperforming loans-to-gross loans	1.6	2.8	4.0	4.1	7.4
Nonperforming loans (net of provisions)-to-capital	1.3	2.0	1.8	2.7	4.3
Total provisions-to-impaired loans*	54.8	49.9	66.5	42.4	53.2
Specific provisions-to-impaired loans	37.6	42.7	54.2	29.6	37.6
General provisions-to-gross loans*	0.3	0.2	0.5	0.5	1.2
Specific provisions-to-gross loans	0.6	1.2	2.2	1.2	2.8
Banking sector earnings and profitability					
Return on equity	8.0	7.8	18.7	*22.1*	*18.1*
Return on assets	2.1	2.4	6.8	*8.0*	*7.2*
Interest margin-to-gross income	52.1	37.7	39.9	41.5	33.2
Non-interest expenses-to-gross income	63.4	68.7	36.9	30.6	66.8
Spread between average lending and deposit rates	4.1	6.2	7.1	7.0	7.8
Banking sector liquidity					
Liquid assets-to-total assets	16.1	9.7	15.6	17.9	13.9
Liquid assets-to-total short-term liabilities	57.7	33.5	62.8	81.9	35.9
Customer deposits-to-total (non-interbank) loans	24.3	43.2	50.9	44.7	48.7
Foreign currency liabilities-to-total liabilities	59.3	55.5	42.4	46.2	38.2

Source: Central Bank of Trinidad and Tobago.
Figures in italics are estimates for the period.
End of Period except for Banking Sector Earnings and Profitability.
*Note: These ratios are not the typically used measures of financial soundness, but they are included here for comparison purposes.
* Effective January 30, 2009, the Central Bank assumed control of Clico Investment Bank under Section 44(d) of the Central Bank Act. By an order of the High Court dated October 17, 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation was appointed liquidator. As a consequence, data reported does not include balances for Clico Investment Bank.

Box 2.1
Provisioning for Loan Losses

Provisioning can be defined as an expense set aside as an allowance or 'provision' for non-performing (bad) loans. It is also used to estimate the portion of a bank's loan portfolio that will ultimately be uncollectible. The use of loan provisioning ensures that institutions have sufficient capital to withstand defaulted loans. As such the adequacy of loan loss provisions is one of the main criteria used in assessing the credit quality of financial institutions.

For the first nine months ended September 2012, commercial banks have increased their provisioning allocation, particularly on identified impaired loans. Loan loss provisioning grew to $1.4 billion in September 2012 from $1.1 billion in September 2011. This was driven mainly by growth of $268.2 million in specific provisions for impaired loans. This is much higher than the annual average of $108 million over the last five years when the specific provisions increased from $318.6 million in December 2007 to $858.6 million in December 2011. In contrast, non-performing loans fell to $2.7 billion in September 2012 from $3.6 billion in September 2011.

Several factors contributed to the twin effect of an increase in specific provisioning and a decline in non-performing loans. Over the period September 2011 to September 2012, three commercial banks allocated additional provisions of $247.4 million to certain large facilities within the luxury real estate, tourism and construction sectors. At the same time, commercial banks wrote off impaired loans totaling $256.2 million and sold approximately $70 million of a nonperforming loan to the non-bank sector. Additionally, two large government guaranteed loans which did not attract provisions but were reported in the non-performing loan portfolio were addressed, as one was paid off and the other returned to performing status. On account of this, the specific provisions to non-performing loans ratio and non-performing to gross loans ratio were positively impacted. In September 2012, specific provisions covered 42.2 per cent of all non-performing loans compared to 24.4 per cent in September of the previous year. This was in contrast to the previous five years (2007-2011), when the ratio averaged 34.7 per cent. The non-performing loans to gross loans ratio steadily increased over 2007 to 2011, reaching a peak of 7.5 per cent in September 2011 before declining to 5.4 percent in September 2012.

Box 2.1
Provisioning for Loan Losses (continued)

Total provisions for the non-bank sector grew to $142.0 million as at September 2012. This was driven by an increase of more than one hundred per cent in its specific provisions. Consequently, the ratio of specific provisions to non-performing loans rose to 37.6 per cent in September 2012 from 29.6 per cent in September 2011. The ratio of non-performing loans to gross loans jumped to 7.4 per cent in September 2012 from 4.1 per cent in September 2011. The sale of the non-performing loan to the non-bank subsidiary (as highlighted above) resulted in an increase in specific provisions but at the same time negatively impacted the sector's non-performing loans portfolio.

Generally, the banking sector has been reporting high levels of capital adequacy ratios, well in excess of the minimum regulatory ratio of 8 percent, thereby reflecting its ability to absorb credit losses. Notwithstanding, institutions are reducing their exposure to credit risk through the write off and restructuring of impaired loans and by increasing provisions.

Box 2.2
Update on the Stress Tests of the Commercial Banking System

June 30, 2012

The Central Bank of Trinidad and Tobago has been conducting stress tests on the commercial banking system on a semi-annual basis since December 2009. The most recent, which used data as at June 2012 was the sixth round of testing and was built around the same methodology as the previous tests. The findings of these previous stress testing exercises were reported in the Financial Stability Reports of November 2010, June 2011 and June 2012. Technical details on the test parameters and methodology can be found in Research Department Working Paper WP05/2011 on "Exploring the Benefits of Stress Testing the case of Trinidad and Tobago".

As a starting point for the analysis, the domestic banking system remained highly capitalized with a capital adequacy ratio (CAR) of 26.5 per cent in June 2012, up from 25.1 per cent per cent at the end of December 2011. Generally speaking, the most recent stress testing exercises indicated that the domestic commercial banking sector, taken as a whole, remains resilient and able to withstand significant adverse shocks emanating from movements in interest rates, exchange rates, credit conditions, deposit runs or sudden adverse changes in local, regional and international macroeconomic conditions.

The results of the recent tests on the banking system were not significantly different from those recorded for previous periods (see Table 1). Nonetheless, similar to the findings of previous exercises, some institutions exhibited greater vulnerability than others, warranting the need to pay close attention to their specific risk profiles.

The impact of the various shocks on the CARs—which were adjusted to take recommended provisioning into account—were, in the main, somewhat greater than those found in earlier tests. Variations in specific areas were closely related to changes in asset composition, provisioning levels and credit concentration. In particular, the impact of the large-exposure shocks was significantly more pronounced, while the effects of the interest rate and energy shocks were high but relatively unchanged from the previous exercises. Overall, the tests indicated the need for continued monitoring of provisioning levels in order to guard against credit risk.
Highlights of the system-wide results based on data as at June 2012 compared with December 2011 are as follows:

Box 2.2
Update on the Stress Tests of the Commercial Banking System (continued)

- With respect to the interest rate shock, the 700 basis-point increase had the most significant adverse impact on the system CAR, which declined by 14.1 percentage points, a slightly larger deterioration than the 13.9 per cent drop in the CAR recorded as at December 2011.

- As banks continued to hold long positions in foreign currency, the system's CAR improved by 1.2 per cent in June 2012 compared with 1.6 per cent in December 2011 following the exchange rate shock.

- The results of the stress tests suggest little vulnerability to credit risk. The CAR declined by a mere 2.1 per cent (the same level of decline recorded in December 2011), when the credit portfolio shock was applied.

- The impact of a 30 per cent decline in property prices was minor, with the CAR falling 2.2 per cent, slightly higher than the 1.9 percentage-point decline recorded in the December 2011 tests. The slightly greater sensitivity in 2012 was associated with the growth of the real estate mortgage portfolio of the commercial banks.

- The June 2012 tests highlighted a higher vulnerability of the banking system to large exposure risk, as certain banks increased their asset concentration in specific areas. A shock to the economic sector of heaviest exposure caused the CAR to decline 2.6 per cent, up from 0.8 per cent recorded in the December 2011 tests. The shock to the borrowing group of heaviest exposure eroded the CAR to the tune of 7.0 percentage points, up from 1.5 percentage points in December 2011.

- Of the scenario tests, the energy price scenario had the greatest impact on the CAR, which fell 11.4 per cent in June 2012, compared to a decline of 11.1 per cent in December 2011. As banks continued to limit their regional exposures, the CAR declined by less than 2.0 per cent in the regional disaster scenario. There was also a decline in the impact of the local disaster scenario.

Box 2.2
Update on the Stress Tests of the Commercial Banking System (continued)
Commercial Banks Stress Test Results – December 2009 to December 2012

Stress Testing Results		Commercial Banks							
		Dec-10		Jun-11		Dec-11		Jun-12	
	Pre-Shock CAR	24.2%		25.0%		25.1%		26.5%	
	Pre-Shock CAR Adjusted for Estimated Required Provisioning	22.7%		21.6%		21.2%		23.6%	
Single Factor Tests									
		Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR
1 - Interest Rate Risk	Interest Rate | 700 basis points	11.1%	-11.6%	7.0%	-14.6%	7.3%	-13.9%	9.5%	-14.1%
	Interest Rate | 100 basis points	24.2%	1.5%	23.6%	2.0%	23.1%	1.9%	25.4%	1.8%
2 - Foreign Exchange Risk	TT Dollar depreciates 40 per cent	23.4%	0.7%	22.9%	1.3%	22.8%	1.6%	24.8%	1.2%
3 - Credit Risk	Credit Portfolio worsens on a/c of 20 per cent decline in GDP	20.2%	-2.5%	19.3%	-2.3%	19.1%	-2.1%	21.5%	-2.1%
4 - Credit Risk - Property Price Shock	Property Prices | 30 per cent	21.8%	-0.9%	20.7%	-0.9%	19.3%	-1.9%	21.4%	-2.2%
5 - Credit Risk - Large Exposures	Large Exposure – Sectors (50 per cent shock)								
	Sector 1	Financial Sector: 22.0%	-0.7%	Financial Sector: 21.6%	0.0%	Financial Sector: 21.2%	0.8%	Other Services: 21.0%	-2.6%
	Sector 2	Real Estate: 22.6%	-0.1%	Real Estate: 21.6%	0.0%	Real Estate: 21.2%	0.0%	Financial: 23.6%	0.0%
	Sector 3	Construction: 22.7%	0.0%	Energy and Mining: 21.6%	0.0%	Construction: 21.2%	0.0%	Real Estate: 23.6%	0.0%
	Large Exposure – Groups (50 per cent shock)								
	Group 1	GORTT Group: 14.4%	-8.3%	GORTT:18.6%	-3.1%	GORTT Group: 19.7%	-1.5%	GORTT:16.6%	-7.0%
	Group 2	FCB Group: 22.7%	0.0%	FCB Group:21.6%	0.0%	FCB Group: 21.2%	0.0%	FCB Group:23.6%	0.0%
	Group 3	CL Financial Group: 22.7%	0.0%	CL Financial Group: 21.6%	0.0%	CL Financial Group: 21.2%	0.0%	CL Financial Group: 23.6%	0.0%
Scenario Tests									
		Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR	Post-Shock CAR	Change from Pre-Shock Adjusted CAR
6 - Energy Price Shock	Energy Price | 50 per cent								
	No Monetary Policy Response	12.4%	-8.8%	8.7%	-14.9%	10.1%	-11.1%	12.2%	-11.4%
	Policy Response	22.5%	1.3%	20.7%	-2.9%	22.5%	1.3%	24.6%	1.0%
7 - Local Disaster Scenario	Local Natural Disaster	19.2%	-2.0%	17.9%	-5.7%	19.8%	-1.4%	21.6%	-2.0%
8 - Regional Disaster Scenario	Regional Natural Disaster	20.8%	-0.4%	19.6%	-4.0%	18.8%	-2.4%	21.8%	-1.8%
Days until Illiquid									
9 - Liquidity Risk	Bank Run	70		70		76		77	

CHAPTER 3

THE INSURANCE SECTOR AND FINANCIAL STABILITY

CHAPTER 3

THE INSURANCE SECTOR AND FINANCIAL STABILITY

Life Insurance Companies[4]

Overview

Life insurance companies continued to exhibit positive performance in 2012. While the traditional life business showed a slight decline, non-traditional life business increased mainly on account of unit linked funds and individual annuities (wealth management funds). The asset quality of life insurers continued to improve as exposures to related parties have fallen.

Nevertheless, the persistent low interest rate environment is posing a challenge for the insurance sector in Trinidad and Tobago. Deteriorating returns on investments are impacting the sector's performance and profitability and companies are taking steps to ensure policyholder obligations are met, regulatory requirements are satisfied and reasonable profitability is maintained **(Box 3.1).**

Liabilities

The liability structure of the life insurance industry has shifted over time towards more non-traditional business, which comprised mainly wealth management products. At the end of June 2012 wealth management products accounted for 53.1 per cent of total insurance contracts, while the share of ordinary life insurance contracts which have been declining since 2008, fell to 34.4 per cent **(Table 3.1).**

The total liabilities for the sector increased by 10.2 per cent, year-on-year to June 2012, as a result of higher gross premiums and changes in actuarial assumptions[5] **.** Gross premium income grew by 7.6 per cent, year-on-year to June 2012, mainly on account of an expansion in non-traditional business. Lower yields of investments in the market have caused companies to revise downward the discount rate, which has resulted in an increase in actuarial liabilities.

Table 3.1
Life Insurance Compannies: Liability Structure - Insurance Contracts

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/					/Percentage Share/				
	Excluding Clico and BA									
Ordinary Life	3,256.6	3,309.5	3,454.8	3,957.4	4,282.2	36.7	35.7	34.4	35.0	34.4
Group Life	43.3	49.0	50.1	59.8	67.6	0.5	0.5	0.5	0.5	0.5
Group Pension	405.6	387.0	376.6	392.7	405.5	4.6	4.2	3.8	3.5	3.3
Deposit Administration	627.3	700.6	708.4	781.3	858.8	7.1	7.6	7.1	6.9	6.9
Individual Annuities	1,912.9	2,421.7	2,674.6	2,952.6	3,299.2	21.5	26.1	26.6	26.1	26.5
Unit Linked Funds	2,137.6	2,237.8	2,555.2	2,914.9	3,310.9	24.1	24.2	25.5	25.8	26.6
Other	498.6	156.3	217.6	244.0	230.4	5.6	1.7	2.2	2.2	1.9
Total	**8,881.9**	**9,261.9**	**10,037.5**	**11,302.6**	**12,454.8**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

[4] This report on the insurance sector excludes CLICO and BA.
[5] The revisions in actuarial assumptions emanated from preparation to implement the new valuation methodology (the Caribbean Policy Premium Method) outlined in the proposed Insurance Bill.

Assets

Total assets grew by 7 per cent in June 2012 to a level of $17.4 billion compared with $16.3 billion in the previous year **(Chart 3.1 & Table 3.2).** Growth was driven mainly by increased holding of government securities due to the limited availability of corporate bonds in the domestic market. Several insurance firms have been acquiring a greater share of government bonds, as corporate bonds matured. As at June 2012, government securities comprised 36.6 per cent compared with 33.5 per cent in June 2011.

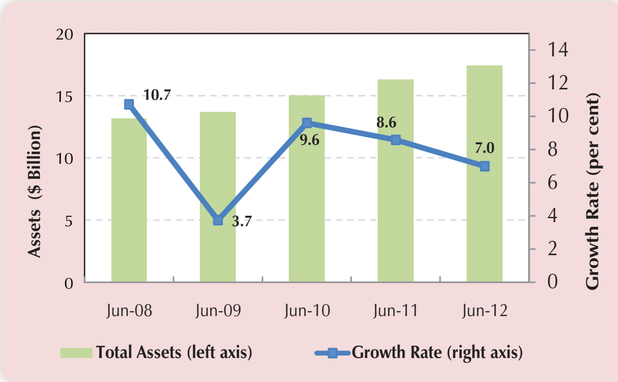
The share of equity holdings increased by approximately $441.5 million on a year-on-year basis to June 2012, largely due to one life company increasing its equity holdings in two companies within their group. The improvement in stock market performance also contributed to the increase in equity holdings.

However, since 2011, the rate of growth in assets has been slowing due to the lower yields experienced on companies' investment portfolios, as well as the steady increase in claims.

Gross Premiums

Gross premium income grew by 7.6 per cent, year-on-year to June 2012, compared with 6.7 per cent a year earlier. This growth was mainly driven by an expansion in non-traditional insurance business (16 per cent) as premiums for individual annuity and unit linked products rose by 26.2 per cent and 14.1 per cent, respectively. In terms of the traditional life business, all lines of business increased with the exception of the health business (mainly individual health) which declined by 9.5 per cent in the period under review. (**Table 3.3**)

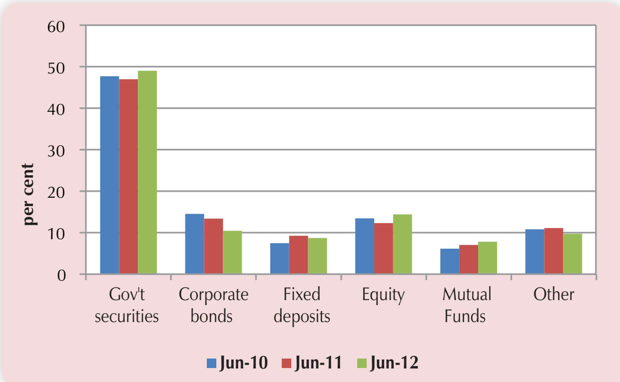
Chart 3.1
Life Insurance Companies: Assets



Source: Central Bank of Trinidad and Tobago.

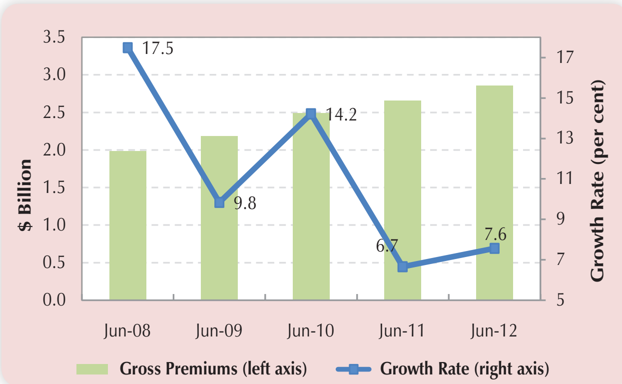
Chart 3.2
Life Insurance Companies: Investment Structure

/Per cent/



Source: Central Bank of Trinidad and Tobago.

Chart 3.3
Life Insurance Companies: Gross Premiums



Source: Central Bank of Trinidad and Tobago.

Table 3.2
Life Insurance Companies: Assets

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/				
Bank Deposits and Cash	472.5	93.0	363.6	309.4	508.4
Investments:	9,044.5	9,609.1	10,499.0	11,601.9	12,990.7
Government securities	2,535.0	3,784.5	5,010.4	5,451.1	6,366.7
Corporate Bonds	1,158.8	1,492.8	1,522.7	1,551.5	1,354.0
Fixed Deposits	994.0	1,024.8	780.5	1,069.9	1,131.1
Equity	2,254.3	1,410.0	1,407.9	1,426.0	1,867.5
Mutual Funds	848.1	748.7	643.1	816.9	1,011.2
Other investments	1,254.2	1,148.2	1,134.4	1,286.5	1,260.3
Loans	1,378.0	1,499.7	1,527.6	1,605.8	1,644.9
Accounts Receivable	1,104.2	1,230.5	1,382.0	1,424.7	855.6
Other Assets	1,176.9	1,237.3	1,211.2	1,327.3	1,407.3
Total	**13,175.9**	**13,669.6**	**14,983.3**	**16,269.1**	**17,406.9**
	/Percentage Share/				
Bank Deposits and Cash	3.6	0.7	2.4	1.9	2.9
Investments:	68.6	70.3	70.1	71.3	74.6
Government securities	19.2	27.7	33.4	33.5	36.6
Corporate Bonds	8.8	10.9	10.2	9.5	7.8
Fixed Deposits	7.5	7.5	5.2	6.6	6.5
Equity	17.1	10.3	9.4	8.8	10.7
Mutual Funds	6.4	5.5	4.3	5.0	5.8
Other investments	9.5	8.4	7.6	7.9	7.2
Loans	10.5	11.0	10.2	9.9	9.4
Accounts Receivable	8.4	9.0	9.2	8.8	4.9
Other Assets	8.9	9.1	8.1	8.2	8.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	N/A	-80.3	290.8	-14.9	64.3
Investments:	N/A	6.2	9.3	10.5	12.0
Government securities	N/A	49.3	32.4	8.8	16.8
Corporate Bonds	N/A	28.8	2.0	1.9	-12.7
Fixed Deposits	N/A	3.1	-23.8	37.1	5.7
Equity	N/A	-37.5	-0.1	1.3	31.0
Mutual Funds	N/A	-11.7	-14.1	27.0	23.8
Other investments	N/A	-8.5	-1.2	13.4	-2.0
Loans	N/A	8.8	1.9	5.1	2.4
Accounts Receivable	N/A	11.4	12.3	3.1	-39.9
Other Assets	N/A	5.1	-2.1	9.6	6.0
Total	**N/A**	**3.7**	**9.6**	**8.6**	**7.0**

Source: Central Bank of Trinidad and Tobago.

Table 3.3
Life Insurance Companies: Distribution of Gross Premium by Lines- New Business and Renewal

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/				
TRADITIONAL TOTAL	**950.5**	**1,033.1**	**1,148.3**	**1,248.4**	**1,223.3**
Ordinary Life	*441.0*	*468.4*	*498.6*	*534.8*	*548.2*
New Business	77.6	86.2	98.9	101.9	90.2
Renewal	363.4	382.2	399.7	432.9	458.0
Group Life	*156.1*	*172.0*	*174.3*	*206.6*	*216.3*
New Business	39.7	46.4	39.3	51.7	56.3
Renewal	116.4	125.6	135.0	154.8	160.0
Health	*353.4*	*392.7*	*475.4*	*507.1*	*458.7*
New Business	39.8	33.7	128.2	145.5	62.0
Renewal	313.6	359.0	347.1	361.6	396.8
NON-TRADITIONAL TOTAL	**1,036.0**	**1,148.9**	**1,343.7**	**1,409.3**	**1,635.4**
Individual Annuities	*316.6*	*321.8*	*418.3*	*433.6*	*547.0*
New Business	94.4	174.9	217.5	199.3	269.1
Renewal	222.2	146.9	200.8	234.3	277.9
Unit linked	*571.7*	*656.5*	*746.3*	*772.1*	*880.7*
New Business	141.5	171.4	183.3	172.0	231.7
Renewal	430.1	485.1	563.0	600.1	649.1
Group Pension	*15.1*	*19.0*	*23.8*	*20.3*	*20.9*
New Business	0.0	0.0	0.0	7.0	6.9
Renewal	15.1	19.0	23.8	13.4	14.1
Deposit Administration	*37.7*	*50.2*	*41.0*	*54.5*	*57.5*
New Business	0.0	0.0	0.0	0.0	0.0
Renewal	37.7	50.2	41.0	54.5	57.5
Other	*95.0*	*101.5*	*114.3*	*128.8*	*129.2*
New Business	10.6	10.9	13.4	13.9	11.1
Renewal	84.3	90.6	100.8	114.9	118.1
TOTAL PREMIUMS	**1,986.6**	**2,182.0**	**2,492.0**	**2,657.7**	**2,858.6**

Source: Central Bank of Trinidad and Tobago.

Claims

Gross claims in the life insurance segment grew by 5.6 per cent (year-on-year) for the period ending June 2012. In particular, maturities increased by 33.9 per cent **(Table 3.4)** and policy holders chose to place them in other financial assets. Further, policy surrenders accounted for 32.0 per cent of gross claims which is significant when compared to other types of claims. The growth in policy surrenders was driven by surrenders of wealth management products which represented 43.4 per cent of total claims[6] **(Table 3.5)**.

Table 3.4
Life Insurance Companies: Classification of Gross Claims

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/					/Year-on-Year Per cent Change/			
By Death	157.5	177.8	186.7	216.1	217.9	12.9	5.0	15.7	0.8
By Maturity	80.3	123.3	151.1	119.7	160.3	53.6	22.5	(20.8)	33.9
By Annuity	169.4	194.6	225.9	192.6	205.6	14.9	16.1	(14.7)	6.8
By Surrender	252.8	480.5	381.0	443.6	462.8	90.1	(20.7)	16.4	4.3
Interim Bonuses	0.2	0.2	0.1	0.2	0.1	(15.1)	(50.7)	137.5	(43.0)
Disability Claims	67.2	3.7	14.1	24.2	41.0	(94.6)	284.8	71.7	69.5
Short term Business Claims	264.5	226.0	356.2	346.1	359.7	(14.6)	57.7	(2.8)	3.9
Total	**991.9**	**1,206.0**	**1,315.1**	**1,371.1**	**1,447.4**	**21.6**	**9.0**	**4.3**	**5.6**

Source: Central Bank of Trinidad and Tobago.

Table 3.5
Life Insurance Companies:Distribution of Gross Claims by Lines of Business

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-08	Jun-09	Jun-10	Jun-11
	/TT$ Million/					/Percentage Share/			
Ordinary Life	193.4	210.3	232.1	254.3	265.5	20.3	17.8	17.2	17.6
Group Life	45.1	53.6	61.3	72.5	77.7	5.7	5.0	4.0	5.2
Group Pension	17.9	57.3	31.5	14.8	17.7	1.7	1.8	4.2	2.6
Deposit Administration	30.0	39.6	63.3	26.3	23.3	3.3	3.1	4.3	3.8
Individual Annuities	231.9	233.0	255.7	268.0	318.7	19.5	23.5	18.7	20.3
Unit Linked Funds	184.5	280.7	262.8	314.7	326.3	22.1	18.3	23.7	20.2
Other	289.0	331.5	408.3	420.5	418.2	27.4	30.5	28.0	30.3
Total	**991.9**	**1,206.0**	**1,315.1**	**1,371.1**	**1,447.4**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Bank of Trinidad and Tobago.

[6] It should be noted that the term surrenders also includes draw-downs or withdrawals of funds held in wealth management accounts.

Box 3.1
The Impact of the Low Interest Rate Environment on Life Insurance Companies and Pension Plans

The persistent low interest rate environment is posing a challenge to the insurance sector in Trinidad and Tobago, as in many other jurisdictions. Deteriorating returns on investments impact performance and profitability. Companies are faced with difficult decisions to ensure policyholder obligations are met, regulatory requirements are satisfied and reasonable profitability is maintained. These factors highlight the importance of having sound risk management and capital plans in place to absorb potential losses.

Given the short term nature of general insurance, companies selling such business are not particularly troubled by a low interest rate environment as investment returns are not a significant factor in determining profitability. The premiums received and the quality of the underwriting are much more important.

However, given the long term nature of the products sold, life insurers are much more severely affected. Such companies are finding that the overall yield on the portfolio of assets backing the liabilities is falling as existing investments mature and the proceeds are reinvested in lower yielding assets. This is of significant importance to those companies with a substantial number of interest sensitive products in their portfolios. These products build up a fund value for the benefit of the policyholders from both the premiums paid and interest which is added from time to time. The interest rate often carries a minimum guarantee. In the event that the overall yield on the assets backing these policies falls below the guaranteed rate, the difference must be made up from profits or capital. For example, given a credited rate guarantee of 4 per cent per annum and an asset yield of 3½ per cent per annum, additional actuarial reserves amounting to ½ per cent per annum of the amount credited to all affected policies must be found from profits or capital each time that interest is credited. Depending on the size of the block of business and the proportion that this business bears to the total business of the company, this additional reserve from profits or capital could create a significant strain on the insurer.

Low interest rates affect traditional business as well. The pricing of these products assume that premiums paid will accumulate at a certain minimum interest rate. In the event that the yield on the assets backing these policies falls below this assumed rate, a similar scenario as above occurs with the necessity for additional reserves to be found from profits or capital. Given the current low interest rate environment, life insurers are examining their portfolio of products and are reducing, or even eliminating, rate guarantees for new interest sensitive products and premiums are beginning to increase for new traditional policies. It should be noted that actions taken are on new business only. The impact of low interest rates is

Box 3.1
The Impact of the Low Interest Rate Environment on Life Insurance Companies and Pension Plans (continued)

contained to a closed block of business, which will gradually reduce over time as these policies mature or are terminated.

The low interest rate environment is also impacting pension plans negatively. With respect to defined benefit plans, the reduction in the yield on the underlying assets is creating the need for higher contribution rates, an increase in the retirement age or amendment of the definition of the salary used to calculate the benefits, from final salary to career average, say. At the moment, plan sponsors of such schemes are avoiding these issues and using surplus built up from the past to pay the increased contributions for the existing benefits. However, such surplus will eventually be reduced thereby requiring that mitigation strategies be put in place.

Given a persistent low interest rate environment, life insurance companies and pension plans may come under pressure to invest in riskier investments to improve the long term yield on the underlying assets, but this may not be a sensible strategy given the overall softness of the market for investments in Trinidad and Tobago and, with respect to life insurance companies, the need for additional capital to cover the volatility of such investments subsequent to enactment of the new Insurance Bill.

The issuance of more long-term bonds (25 to 30 years) would help to alleviate the negative impact of the fall in investment yields on assets for both insurance companies and pension plans.

B. Non-Life Insurance Companies

Overview

The performance of the non-life insurance industry in 2012 was underpinned by higher premium income from the property business while that from motor vehicle business continued to be tepid. Asset growth remained steady over the period to June 2012. The retention ratio declined further during the period as the non-life insurers ceded a larger percentage of their property business to international reinsurers.

Due to the short term nature of general insurance, the low interest rate environment does not have the same level of impact on this segment of the industry as compared to life companies since investment returns are not a significant factor in determining profitability. More important to these non-life companies are the premiums received and the quality of the underwriting. However companies which reported underwriting losses but overall have reflected total profits due to supplemental investment income, the low interest environment could undermine their total profitability.

Gross Premiums

The majority of gross premium income is derived from property and motor vehicle insurance. At the end of June 2012, premium income from these two areas accounted for 81.9 per cent of gross premium written **(Table 3.5 and Table 3.6).** Gross premiums in the non-life insurance industry grew by 6.4 per cent year-on-year to June 2012. Much of the increase in gross premiums was driven by the growth in property premium income which rose by 9.9 per cent and was attributable to one of the companies acquiring significant fronting business.

Over the year, growth in motor vehicle premiums increased marginally by 1.1 per cent. Although car sales to June 2012 increased by 35 per cent, it was driven mainly by the foreign used car market. New car sales grew by 3 per cent over the year, while foreign used car sales expanded by 96.5 per cent after stagnating in the previous period on account of the Tsunami in Japan in 2011. The lower premiums paid for the cheaper foreign used vehicles over the period appeared to have impacted the amount of premiums collected.

Table 3.6
Non-Life Insurance Companies
Distribution of Gross Premium Income

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/								
Property	1,220.1	1,311.7	1,408.3	1,443.0	1,586.3	7.5	7.4	2.5	9.9
Motor Vehicle	1,031.3	1,069.9	1,158.7	1,161.4	1,174.4	3.7	8.3	0.2	1.1
Group Health	157.8	159.6	135.4	106.4	125.6	1.2	(15.1)	(21.4)	18.0
Other	419.5	525.2	422.3	458.5	485.5	25.2	(19.6)	8.6	5.9
Total	**2,828.7**	**3,066.4**	**3,124.7**	**3,169.3**	**3,371.8**	**8.4**	**1.9**	**1.4**	**6.4**

Source: Central Bank of Trinidad and Tobago.

Table 3.7
Non-Life Insurance Companies: Distribution of Gross Premium Income (New Business and Renewals)

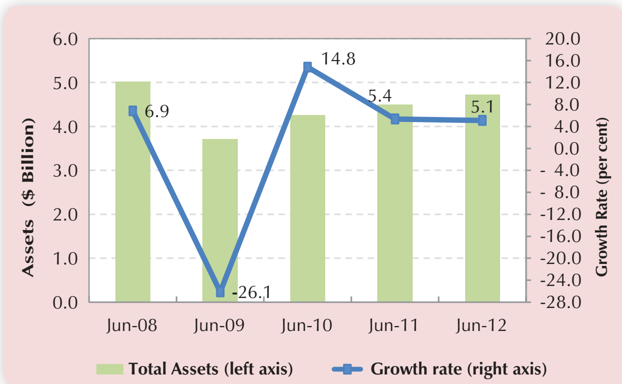
	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/				
Property	**1,220.1**	**1,311.7**	**1,408.3**	**1,443.0**	**1,586.3**
New Business	240.3	278.7	242.7	479.2	304.8
Renewal	979.9	1,033.0	1,165.6	963.8	1,281.4
Motor Vehicle	**1,031.3**	**1,069.9**	**1,158.7**	**1,161.4**	**1,174.4**
New Business	432.9	330.5	370.5	345.8	337.1
Renewal	598.4	739.4	788.2	815.5	837.3
Group Health	**157.8**	**159.6**	**135.4**	**106.4**	**125.6**
New Business	26.9	40.0	25.5	25.5	32.7
Renewal	130.9	119.6	109.9	81.0	92.9
Other	**419.5**	**518.1**	**422.3**	**458.5**	**485.5**
New Business	142.8	157.7	138.5	126.2	125.6
Renewal	276.8	360.4	283.8	332.3	359.9
Total	**2,828.7**	**3,059.2**	**3,124.7**	**3,169.3**	**3,371.8**

Source: Central Bank of Trinidad and Tobago.

Assets

The total assets of non-life insurance companies grew by 5.1 per cent year-on-year to $4.7 billion as at June 2012 as companies increased their holdings of government securities and equities (Chart 3.4 and Table 3.8). Government securities rose by 11.8 per cent as companies added treasury bills to their portfolio. Equities expanded by 25.9 per cent as one non-life company made a substantial equity investment in a non-banking financial institution (Chart 3.5). As in the case of life insurance companies, government securities accounted for the largest share of the non-life investment portfolio (42 per cent).

Chart 3.4
Non-Life Insurance Companies: Growth in Total Assets



Source: Central Bank of Trinidad and Tobago.

Table 3.8
Non-Life Insurance Companies: Assets

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/				
Bank Deposits and Cash	252.2	336.8	373.0	385.7	448.0
Investments:	2,095.8	1,996.2	2,288.2	2,406.1	2,563.7
Government securities	659.5	762.5	939.3	963.0	1,076.5
Corporate Bonds	214.4	198.0	268.6	352.2	328.4
Fixed Deposits	690.6	564.5	535.2	452.5	447.3
Equity	249.1	176.3	153.2	181.7	228.8
Mutual Funds	130.8	195.7	237.1	228.3	246.5
Other investments	152.6	106.3	155.0	228.7	236.4
Loans	250.1	214.6	255.0	309.0	298.0
Accounts Receivable	665.4	623.2	636.7	652.9	573.5
Other Assets	1,764.0	537.0	712.7	740.1	839.5
Total	**5,028.7**	**3,714.9**	**4,265.8**	**4,494.1**	**4,723.0**
	/Percentage Share/				
Bank Deposits and Cash	5.0	9.1	8.7	8.6	9.5
Investments:					
Government securities	13.1	20.5	22.0	21.4	22.8
Corporate Bonds	4.3	5.3	6.3	7.8	7.0
Fixed Deposits	13.7	15.2	12.5	10.1	9.5
Equity	5.0	4.7	3.6	4.0	4.8
Mutual Funds	2.6	5.3	5.6	5.1	5.2
Other investments	3.0	2.9	3.6	5.1	5.0
Loans	5.0	5.8	6.0	6.9	6.3
Accounts Receivable	13.2	16.8	14.9	14.5	12.1
Other Assets	35.1	14.5	16.7	16.5	17.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	/Year-on-Year Per cent Change/				
Bank Deposits and Cash	n.a.	33.6	10.8	3.4	16.1
Investments:					
Government securities	n.a.	15.6	23.2	2.5	11.8
Corporate Bonds	n.a.	(7.7)	35.7	31.1	(6.7)
Fixed Deposits	n.a.	(18.3)	(5.2)	(15.5)	(1.1)
Equity	n.a.	(29.2)	(13.1)	18.7	25.9
Mutual Funds	n.a.	49.6	21.2	(3.7)	8.0
Other investments	n.a.	(30.3)	45.8	47.6	3.4
Loans	n.a.	(14.2)	18.8	21.2	(3.5)
Accounts Receivable	n.a.	(6.3)	2.2	2.6	(12.2)
Other Assets	n.a.	(69.6)	32.7	3.8	13.4
Total	n.a.	**-26.1**	**14.8**	**5.4**	**5.1**

Source: Central Bank of Trinidad and Tobago.

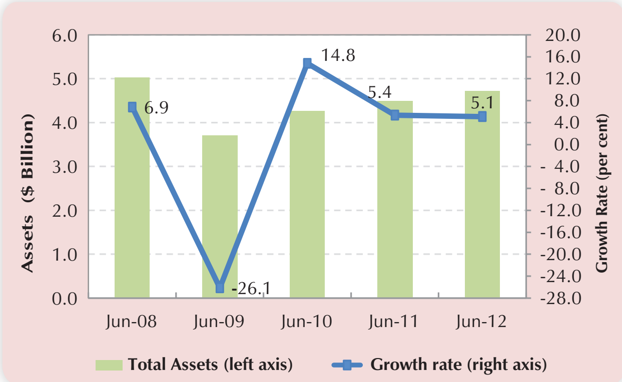
Retention Ratio

The retention ratio has been falling as companies are ceding a greater proportion of their insurance business to international reinsurers as a means of managing risk on their books **(Chart 3.6).** As at June 2012, the retention ratio was 42.2 per cent as 57.8 per cent of insurance premiums were ceded to international reinsurers. In comparison, the retention ratio stood at 44.8 per cent in June 2011 and 52.4 per cent in June 2008.

Claims

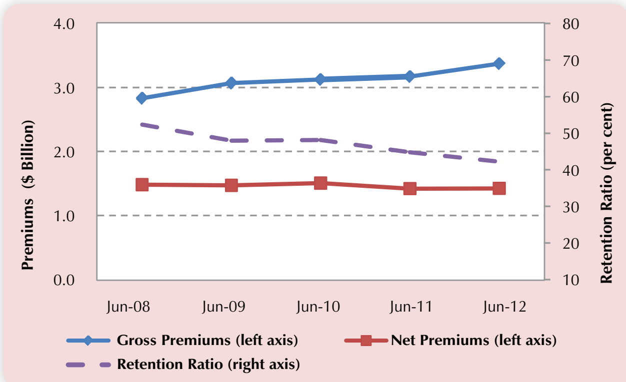
Claims for the period ending June 2012 increased on account of the growth in property claims for fire and flooding. The overall ratio of net claims to net earned premiums (the net loss ratio) stood at 47.2 per cent at the end of June 2012, moderately lower than the 51.6 per cent recorded in June 2011 **(Table 3.9).**

Chart 3.5
Non Life-Insurance Companies: Investment Structure



Source: Central Bank of Trinidad and Tobago.

Chart 3.6
Non-Life Insurance Companies: Premiums and Retention Ratio



Source: Central Bank of Trinidad and Tobago.

Table 3.9
Non-Life Insurance Companies: Gross Claims Incurred

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
	/TT$ Million/					Net loss ratio /per cent/				
Property	117.3	205.2	92.1	149.0	256.2	35.0	31.3	14.0	40.3	47.1
Motor Vehicle	490.3	611.4	596.6	604.0	571.1	51.9	56.1	56.4	55.5	50.2
Group Health	101.2	120.7	92.1	66.1	85.0	85.6	83.6	68.9	80.0	90.1
Other	182.4	115.0	101.2	100.9	108.6	60.3	40.1	50.2	34.4	26.1
of which:										
Workmen's Compensation	50.6	56.3	31.3	48.5	53.4	51.0	63.9	40.4	52.7	48.8
Public Liability	54.6	(4.3)	13.9	12.6	20.2	159.3	(12.1)	37.8	26.8	21.5
Total	**891.2**	**1,052.2**	**881.9**	**919.9**	**1,020.9**	**52.7**	**52.9**	**50.4**	**51.6**	**47.2**

Source: Central Bank of Trinidad and Tobago.

Life and Non-Life Insurance Companies – Financial Soundness Indicators (June 2012)

This section addresses financial soundness indicators for the insurance industry. The suggested indicators for the life insurance segment comprise mainly capital adequacy, asset quality, earnings, profitability and liquidity. For the non-life segment, the indicators comprise measures for asset quality, reinsurance, actuarial issues, earnings, profitability and liquidity. The first set of indicators was published in the Financial Stability Report, Mid-Year Review, June 2011.

Life Insurance Companies[7]

Capital Adequacy

The capital adequacy indicators, namely, capital to total assets and capital to technical reserves have been declining since 2008 but remain well above the international benchmark. The ratio of capital to technical reserves stood at 28.5 per cent at end of June 2012, compared with the international benchmark which ranges between 7.0 per cent and 10.0 per cent. Companies have to meet the new capital rules in the proposed Insurance Bill that require them to hold more actuarial reserves **(Table 3.10).**

Asset Quality

For the life industry, asset quality (measured in this case by the ratio of real estate plus unquoted equities plus accounts receivable to total assets), has been steadily improving and now stands at 10.9 per cent. This improvement in part reflects better management of the accounts receivables and is in response to regulatory recommendations made in 2011 to certain companies to reduce their exposures (accounts receivables) to related parties.

Table 3.10
Life Insurance Companies: Financial Soundness Indicators
/Per cent/

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
Capital Adequacy					
Capital to total assets	26.0	25.9	25.6	22.3	21.1
Capital / technical reserves	37.1	37.0	36.5	31.0	28.5
Asset Quality					
(Real estate +unquoted equities + debtors) / total assets	16.3	16.7	15.5	14.8	10.9
Earnings and Profitability					
Expense ratio = expense (incl commissions) /net premium	36.8	47.0	38.6	37.9	38.6
Investment yield = Investment income to investment assets	6.2	6.8	6.1	6.2	5.3
Return on Equity (ROE) = Pre-tax profits to shareholders funds	13.9	6.6	9.1	14.3	12.0
Liquidity					
Liquid assets to current liabilities	42.6	36.1	30.2	29.9	33.2

Source: Central Bank of Trinidad and Tobago.

[7] This report on the insurance sector excludes CLICO and BA.

[8] Capital used in these ratios is measured as assets minus liabilities with adjustments made for non-participating life surplus and goodwill.

Earnings and Profitability

Although, operating expenses (net of claims and policyholder reserves) have been increasing, the ratio of expenses to net premiums has remained relatively stable at approximately 39.0 per cent for the last three years. With limited re-investment opportunities and an environment of low interest rates, the return on investment fell slightly to 5.3 per cent in June 2012 from 6.2 per cent in the previous year.

The return on equity ratio decelerated to 12.0 per cent in June 2012 from 14.3 per cent in June 2011 as pre-tax profits declined to $353.9 million. Overall, profitability has been affected by the rise in expenses such as claims incurred, policy holder reserves and management expenses.

Liquidity

During the period under review, liquidity remained at a satisfactory level in the life insurance industry. The liquidity ratio (liquid assets to short-term liabilities) rose to 33.2 per cent in June 2012 from 29.9 per cent one year earlier as companies held more liquid assets (liquid funds, fixed deposits and mutual funds) in their portfolios.

Statutory Fund – Non Life Sector

Insurance companies are required by law to maintain assets in the statutory fund to cover liabilities for policies owned by residents of Trinidad and Tobago. Assets pledged to companies' statutory funds with respect to long term business amounted to $13.5 billion, an increase of 9.1 per cent ($1,127.6 million) over the last year. The industry reported a surplus of $801.6 million in the Statutory Fund for the period ended June 30, 2012 (**Table 3.11**). However, two companies were non-compliant with the statutory fund requirements and reported deficits. The Central Bank is taking action to address these deficiencies.

Table 3.11
Life Insurance Companies: Trends in the Statutory Fund
June 2011 - June 2012
/TT $Million/

	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Long Term (excluding Clico and BA)					
Statutory Fund Assets	12,426.6	12,361.5	13,119.5	13,322.4	13,554.2
Statutory Fund Requirement	11,620.5	11,838.4	12,140.6	12,546.7	12,752.6
Surplus (Deficit)	806.1	523.1	978.9	775.7	801.6

Source: Central Bank of Trinidad and Tobago.

Non-Life Insurance Companies

Asset Quality

While there has been an overall improvement in the asset quality ratio due to the significant decline in accounts receivables concerns remain in relation to debtors. Asset quality measured as the ratio of (investment in real estate, unquoted equities and accounts receivables) to total assets fell to 15.7 per cent in June 2012 from 17.4 per cent in June 2011. The asset quality ratio in relation to debtors (amounts due from agents, brokers and reinsurers) has remained around 11 per cent over the last three years. The Central Bank has recommended that companies strengthen their credit collection mechanisms to ensure that amounts due from debtors are remitted in a timely manner.

Table 3.12
Non-Life Insurance Companies: Financial Soundness Indicators

/Per cent/

	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12
Asset Quality					
(Real Estate +Unquoted Equities + Accounts Receivables) / Total Assets	15.3	18.3	17.4	17.4	15.7
Debtors / (Gross Premiums + Reinsurance Recoveries)	13.7	12.8	10.6	11.8	11.2
Reinsurance and Actuarial Issues					
Risk Retention Ratio = Net Premiums Written/ Total Gross Premiums	52.4	47.9	48.1	44.8	42.2
Net Technical Reserves/Average of net claims paid in the last three years	119.5	119.2	125.6	143.9	159.2
Earnings and Profitability					
Combined Ratio	94.0	98.4	99.2	102.3	98.5
Expense ratio = expense (incl commissions) /net premiums	*41.3*	*45.5*	*48.8*	*50.6*	*51.3*
Loss ratio = net claims/net earned premiums	*52.7*	*52.9*	*50.4*	*51.6*	*47.2*
Investment Income/Net Premium	11.6	9.8	10.2	9.8	10.2
Return on Equity (ROE) = Pre-tax profits to shareholders funds	14.0	15.9	20.6	11.5	16.1
Return on Assets (ROA)	7.6	5.2	9.2	4.7	6.8
Liquidity					
Liquid Assets to Current Liabilities	54.4	57.9	56.6	46.1	48.6

Source: Central Bank of Trinidad and Tobago.

Actuarial Issues

In 2012, as companies ceded more reinsurance, the net premiums and retention ratio declined. As at June 2012, the risk retention ratio is 42.2 per cent compared to 44.8 per cent as at June 2011[9].

The net technical reserves ratio (which reflects the amount of reserves set aside from profits to meet policy holders claims) increased significantly, rising to 159.2 per cent in 2012 from 143.9 per cent in 2011. This is a result of the increased regulatory action taken by the Central Bank requiring that companies strengthen their claims reserves **(Table 3.12).**

Earnings and Profitability

Over the past five years, the expense ratio for non-life companies has been rising steadily and now stands at 51.3 per cent. A major reason behind this increase relates to rising operating expenses as well as a reduction in net premiums, as non-life companies are ceding more business to reinsurers. The loss ratio declined from 51.6 per cent as at June 2011 to 47.2 per cent as at June 2012 due to the decrease in net claims (which was caused by an increase in reinsurance recovered).

As at June 2012, it should be noted that the combined ratio (loss ratio plus expense ratio) for the non-life insurance sector was 98.5 per cent. Since 2007, this ratio has been trending upwards as expenses and claims have grown faster than net premiums. The combined ratio is a measure of the efficient management of the non-life industry. Therefore, the Bank has initiated a number of steps to monitor the increase in expenses and ensure the adequacy of claims reserving for the sector.

The ratio of investment income to net premiums rose to 10.2 per cent as at June 2012 from 9.8 per cent as at June 2011. This was due to an increase in income from trade financing activities at one institution over the year.

Liquidity

For the non-life sector, the liquidity ratio (measured by liquid assets to current liabilities) increased to 48.6 per cent in 2012 from 46.1 per cent in 2011 as non-life companies increased their holdings of liquid funds, treasury bills and mutual fund. While current liabilities (primarily claims outstanding to be paid) also rose over the year, the rate of increase was not in tandem with the growth rate of liquid assets.

Statutory Fund – Non-Life Insurance Companies

Assets pledged to the respective statutory funds in relation to motor business stood at $707.3 million, an increase of 3.8 per cent ($25.7 million) over the previous quarter and an increase of 27.1 per cent ($150.8 million) over the last year. The industry reported a net surplus of $165.8 million in the Statutory Fund in respect of motor business for the period ended June 30, 2012 **(Table 3.13).** However, at the individual institution level, three non-life companies reported deficits in their Statutory Fund.

[9] The risk retention ratio was amended to omit commission income from net premiums.

Table 3.13
Non-Life Insurance Companies: Trends in the Statutory Fund
June 2011 - June 2012
/TT $Million/

	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Long Term (excluding Clico and BA)					
Statutory Fund Assets	556.5	612.7	664.7	681.6	707.3
Statutory Fund Requirement	465.9	456.8	518.0	522.2	541.5
Surplus (Deficit)	90.5	155.9	146.6	159.4	165.8

Source: Central Bank of Trinidad and Tobago.

Box 3.2
Insurance Legislation

In response to the rapid changes in the global financial climate and the fallout from the financial crisis, the Central Bank has undertaken a comprehensive revision of the Insurance Act which had remained unchanged for the past four decades. The current legislation has significant deficiencies in that the risks inherent in products and services currently offered by insurers could be more efficiently managed under modernized legislation. In this context, some of the more salient changes in the proposed Insurance Bill are described in the table below.

TABLE HIGHLIGHTING MAJOR AMENDMENTS TO THE INSURANCE ACT, CHAPTER 84:01

ISSUE	*INSURANCE ACT, 1980*	*INSURANCE BILL - PROPOSED*
PRUDENTIAL STANDARDS		
Minimum Capital	Requirement of not less than $3 million for long- term insurance companies.	The minimum requirement for long term or general insurance companies will be increased to $15 million.
	Requirement of not less than $1 million for general insurance companies.	Composite companies will be required to maintain a minimum of $22.5 million.
Risk-based Capital	Not required. This represents a significant legislative deficiency.	In addition to the minimum capital requirement, an insurer will be required to hold substantially higher levels of capital commensurate with its risk profile. Every insurer will establish and maintain a regulatory capital requirement ratio of 150%.

Box 3.2
Insurance Legislation (continued)

ISSUE	INSURANCE ACT, 1980	INSURANCE BILL - PROPOSED

PRUDENTIAL STANDARDS

Actuarial Valuation Methodology	Insurers use differing methodologies from diverse jurisdictions to determine the actuarial reserves required to meet policyholder liabilities. This lack of a common methodology is unacceptable and makes it difficult to compare the financial results of one insurer with that of another.	The introduction of the Insurance (Caribbean Policy Premium Method) Regulations will prescribe a standardized methodology for the valuation of liabilities for long term insurers.
Stress Testing Regime for Insurers	Not required.	There is a need for an insurer to assess the adequacy of its capital under adverse but plausible conditions as at a particular date. The Insurance (Financial Condition Report for Long Term Insurance) Regulations and the Insurance (Financial Condition Report for General Insurance) Regulations establish the parameters for conducting such a test, as well as the format of the report.
Prudential Limits for Large Credit Exposures	No limit	The Bill introduces a limit of 25% of an insurer's capital base, to a single counterparty or a group of related counterparties.

Box 3.2
Insurance Legislation (continued)

ISSUE	*INSURANCE ACT, 1980*	*INSURANCE BILL - PROPOSED*

PRUDENTIAL STANDARDS

Connected Party Credit Exposure Limit	No limit	To control contagion risks, the Bill prescribes a limit of 10% of insurer's capital base to a single connected party or an aggregate limit of 25% of its capital base to all connected parties within a group.

IMPROVEMENTS TO CORPORATE GOVERNANCE

Consolidated Supervision	Not required	Insurance Core Principles for the supervision of insurance conglomerates requires: the 'ring fencing' of financial activities from non-financial activities of a group and granting the Regulator ability to supervise insurers on a solo as well as a consolidated basis. The Bill requires a conglomerate group to be structured so as to facilitate consolidated supervision by the Central Bank.
Audit Committee	Not required	The Bill requires each insurer to establish an audit committee which must be chaired by an independent director.

Box 3.2
Insurance Legislation (continued)

IMPROVEMENTS TO CORPORATE GOVERNANCE

Statutory Reporting Requirements for External Auditors	Auditors are required to report matters when unable to obtain information or not completely satisfied with such information.	Auditors' statutory reporting requirements have been strengthened and will apply: • Where the insurer or financial holding company has breached, is breaching or is likely to breach the IA, Regulations or International Financial Reporting Standard • Where any change in accounting or failure to present facts has the effect of materially misrepresenting the financial position
Access to the Auditors' Working Papers	Not permitted.	The Central Bank will be able to access working papers of Auditors.
Reporting and Duties Required of the Actuary	An Actuary is required to prepare a report on the valuation of liabilities for insurer doing long term business every three years.	Instead of every three years, the valuation of policyholder liabilities will be required to be prepared annually.
Independent Actuary	Not required	The Central Bank will be permitted to appoint an independent actuary to review the work of an insurer's actuary.

Box 3.2
Insurance Legislation (continued)

IMPROVEMENTS TO CORPORATE GOVERNANCE

Integrity of the Actuary and Auditor	Not required.	The Bill requires an auditor or actuary respectively to give reasons to the Central Bank for not continuing as Auditor or Actuary. Also, the Bill provides for an indemnification for communication in good faith (whistle blowing) for an actuary or auditor or former actuary or auditor.
Accountability of the Board, the CEO and the CFO	Not required.	Even though the Companies' Act outlines duties of directors, with respect to insurers, directors should be held to higher standards because of fiduciary responsibilities and therefore minimum duties should be prescribed in legislation. The insurer will be required to provide an annual attestation regarding the adequacy of its risk management systems and internal controls.
Reporting from Entities Related to The Insurer	Not required.	The Central Bank will be given the power to require reporting from entities related to the insurer such as subsidiaries, or companies where the insurer or financial holding company is a significant shareholder.
Timeliness of Annual Reporting	Insurance companies are required to submit annual returns within six months after the close of its financial year end.	The timeframe for submitting annual returns will be reduced from six months to three months.

Box 3.2
Insurance Legislation (continued)

PROMPT AND CORRECTIVE ACTION

Compliance Directions	Not permitted	Compliance Directions (CDs) will permit the Central Bank to issue instructions directly to insurers when serious regulatory issues are identified. These CDs will be enforceable by the Court.
Penalties	Not permitted	Criminal sanctions have been retained but are more dissuasive in terms of both monetary penalties and terms of imprisonment. The opportunity will be given to discharge certain offence of strict liability through the payment of an administrative penalty.

CHAPTER 4

OCCUPATIONAL PENSION PLANS AND FINANCIAL STABILITY

CHAPTER 4

OCCUPATIONAL PENSION PLANS AND FINANCIAL STABILITY[9]

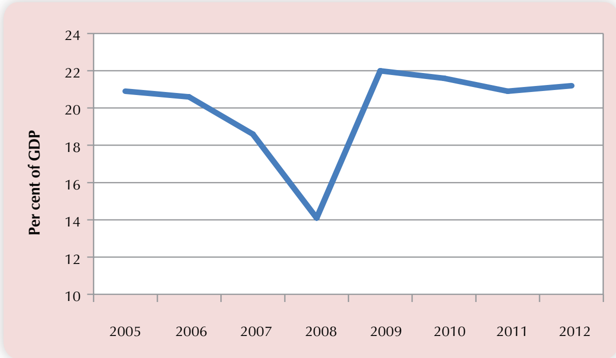
Although the investment climate remained challenging, private pension plan assets continued to grow in 2012 by 8.1 per cent on a year-on-year basis to June 2012 and represented over 20 per cent of GDP **(Chart 4.1)**. As at the end of December 2012, there were 192 active registered plans and 84 plans in the process of being wound up.

Pension Investments

Equities

A significant portion of the assets of the pension plans (86 per cent at June 2012) has been invested in local assets. The local assets of pension funds are concentrated in government securities and equities. The share of equities in total assets increased to 29.0 per cent year-on-year to June 2012 from 26.8 per cent one year earlier **(Table 4.1)**. Despite the overall positive performance of the stock market[10], the plans limited their holdings in locally traded equities to between 20 per cent and 30 per cent

Chart 4.1
Occupational Pension Plans:Assets to Gross Domestic Product



**Percentage as at June 2012
Source: Central Bank of Trinidad and Tobago.

Table 4.1
Occupational Pension Plans: Investments

	Funds Invested		Funds as a Per cent of Total Assets		Year-on-Year Per cent change Jun-12
	Jun-11	Jun-12	Jun-11	Jun-12	
T&T Government Securities	8417.9	9356.6	28.0	28.8	11.2
Corporate Securities	4187.3	4145.0	13.9	12.8	-1.0
Mortgages	176.4	172.6	0.6	0.5	-2.2
T&T Equities	8064.5	9425.0	26.8	29.0	16.9
Fixed Deposits	4150.3	3965.7	13.8	12.2	-4.4
Other T&T Assets	1159.1	994.6	3.9	3.1	-14.2
Foreign Government Securities	487.0	716.1	1.6	2.2	47.0
Other Foreign Securities	201.3	376.9	0.7	1.2	87.2
Foreign Equities	3221.5	3333.9	10.7	10.3	3.5
Total Assets	**30065.4**	**32486.3**	**100.0**	**100.0**	**8.1**

Source: Central Bank of Trinidad and Tobago.

9 Data in this section pertain to information submitted by the three corporate trustees which administer approximately 90 per cent of the total assets owned by private occupational pension funds.

10 For the twelve months ended June 2012, the All Trinidad & Tobago Index and the Composite Index grew by 15 per cent and 8 per cent, respectively. This growth was slower than in the previous year when the indices grew by 17 per cent and 12 per cent, respectively.

of their assets as investment managers seemed averse to increasing their exposure to the market **(Chart 4.2).** It should be noted that the Insurance Act allows plans to hold up to 50 per cent of their assets in equities or up to 70 per cent if their assets exceed their liabilities by over 150 per cent.

Bonds

Pension plans holdings of Trinidad and Tobago Government bonds expanded by 11.2 per cent year-on-year to June 2012 mainly on account of valuation gains. The fall in interest rates pushed up the marked-to-market value of bonds in 2012, while, the limited issue of new government bonds was oversubscribed resulting in bond being priced at premium. However, their holdings of corporate securities fell by 1 per cent as there were few new issues **(Chart 4.3)**.

Cash

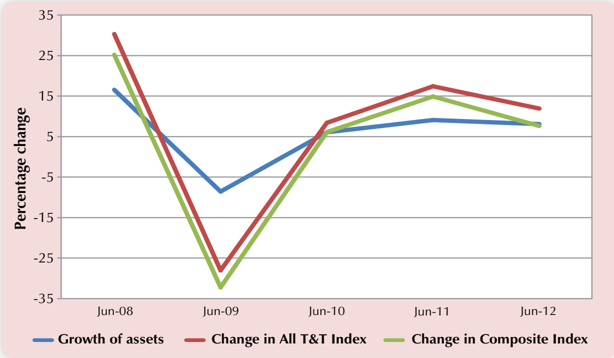
Plans continued to hold large amounts of cash. As at June 30, 2012, cash and near cash represented 15.3 per cent at the end of June 2012, compared to 17.7 per cent a year earlier.

Actuarial Valuations

Table 4.2 shows the actuarial valuation results of 113 plans for the periods 2006 to 2008 and 2009 to 2011[11]. According to the valuation reports prepared by actuaries for the triennial period 2009 to 2011 pension plans' funding surpluses declined[12].

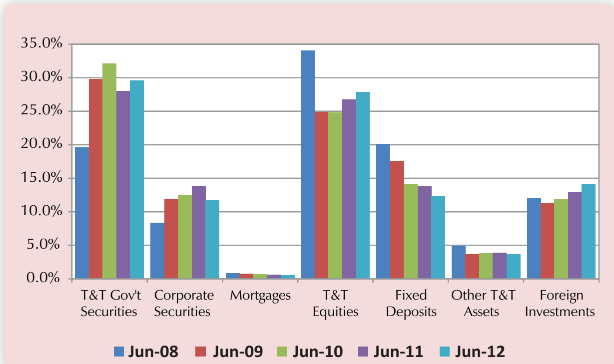
The decline in pension surpluses over the period 2009 to 2011 is attributable to the modification of key assumptions held for interest rates and salary increases. Firstly, there was a reduction of the assumed interest rate

Chart 4.2
Occupational Pension Plans: Growth in Assets and Trinidad and Tobago Stock Exchange Indices 2008 – 2012



Source: Central Bank of Trinidad and Tobago.

Chart 4.3
Occupational Pension Plans: Investments 2008 – 2012



Source: Central Bank of Trinidad and Tobago.

used by actuaries to determine pension plans earnings on long-term investments. In 2005, actuaries assumed long term interest rates would average 7.20 per cent, however this rate has fallen to around 5.5 per cent in 2012. For some pension plans, the actuaries have estimated that, given current interest rates, future investment earnings will be lower than that needed to pay future benefits, thereby, resulting in these plans falling into deficit.

[11] The Insurance Act 1980 allows for the assets of insured pension plans to be valued together with the insurance company's assets. Therefore, insured plans are not required to prepare triennial actuarial reports although most of them do. Pure defined contribution plans also do not submit actuarial valuation reports.

[12] Pension plans' funding surpluses is the amount by which the value of their assets exceed their liabilities.

Secondly, salaries were projected to increase between 5 per cent and 7.5 per cent. The actual average rate of salary increase was over 8 per cent. Actuaries have assumed that salaries would increase by an average of 5.93 per cent per annum over the three year period starting 2011. Recent information collected by the Central Bank on collective agreements for the period 2010 to 2013 showed an average salary increase of 7.5 per cent per annum.

Sixteen plans were in deficit during the period 2006 to 2008 and by 2009 -2011, an additional fifteen (15) plans moved from surplus to deficit. The average funded ratio (assets/liabilities) of the plans remaining in surplus fell to 158 per cent in the period 2009 to 2011 from 177 per cent in the previous triennial period 2006 to 2008.

Risks

Pension plans therefore face some major challenges arising from the low interest rate environment among other factors. For defined benefit pension plans which have guarantees, both employers and employees may be required to increase contributions to secure retirement benefits. For annuity plans or defined contribution plans, the employer does not guarantee the level of benefits payable. Pensions earned are based on the contributions paid and investment earnings and as such low interest rates could result into lower pension income than members anticipated on retirement.

If investment earnings are even lower than actuaries project and salary increases over the next three years are greater than assumed, the funded positions of plans will be eroded further leading to more plans falling into deficit.

With lower interest income, plans potentially have less money available for long term investments. Plans pay benefits from their cash holdings which include monthly inflows of contributions and interest income. Easily accessible cash is set aside to pay benefits as they become due and excess inflows are allocated for long term investments such as bonds and equities. Reduced cash inflows can lower the amount available for investments if contributions are not increased. In the absence of investment opportunities in the local capital markets pension plans may have to retain greater portions of their monthly income inflow in short term investments to pay benefits.

Table 4.2
Occupational Pension Plans: Actuarial Valuation Results for a Sample of 113 Plans

Period of Triennial Actuarial Valuation Report	No. of Plans in Surplus	No. of Plans in Deficit	Average Funded Ratio of All Reporting Plans (Assets / Liabilities)	Average Funded Ratio of All Plans in Surplus (Assets / Liabilities)	Average Funded Ratio of All Plans in Deficit (Assets / Liabilities)
2006 – 2008	97	16	164	177	87
2009 – 2011	83	30	140	158	88
Per cent change	-14	80	-15	-11	1

Source: Central Bank of Trinidad and Tobago.

ADVANCE COPY

CHAPTER 5

PAYMENTS SYSTEM IN TRINIDAD AND TOBAGO

CHAPTER 5

THE PAYMENTS SYSTEM OF TRINIDAD AND TOBAGO

The soundness and safety of the national payment system is important for the efficient functioning and stability of the financial system. Consistent with the evaluation of 2010/2011, payment systems in Trinidad and Tobago maintained a solid level of compliance with the ten Core Principles for Systemically Important Payment Systems (SIPs) in 2011/ 2012. Internationally, these principles are used as the benchmark for effective risk management and system efficiency for payment systems and these standards were found to be **Broadly Observed** by all systems in the assessment conducted in 2011/12.

Considerable developments have taken place with respect to Systemically Important Retail Systems (SIRS) with regard to the understanding and effective management of liquidity, credit and settlement risk exposures. All SIRS[14] now settle over the RTGS via accounts held at the Central Bank and interbank settlement is completed within a 24 hour window of transaction acceptance. Nevertheless, some issues with respect to the efficiency of paper based systems still remain. For instance, while interbank settlement is completed within the 24 hour window, unlike electronic systems, final settlement to the beneficiary is delayed for an additional 3 day period.

With respect to large value (>$500,000.00TTD), or wholesale payment systems, international best practice was again found to be **Broadly Observed** in 2012. Minor issues with regard to documentation persisted; however, the Central Bank as overseer[15] is satisfied with the steps being taken to address these deficiencies. There were no undue exposures as a result of this gap and it is anticipated that these will be significantly remedied in the current period. Moreover, there remained a significant portion of large value payments that are settled via paper based systems which represent just about 17.8 per cent of total wholesale payment values **(Table 5.1)**. Ideally, to promote greater efficiency, best practice would dictate that these payments be cleared and settled via more efficient electronic systems. Measures have been put in place by the overseer to discourage the use of paper based instruments for large payments and as a result some slowing in the year on year growth of the value of these transactions has been observed. Developments in this area will continue to be closely monitored by the overseer.

Overall, there were no major technical issues in the payments system during 2012 and organizations continue to effectively manage their operational risk. Electronic payment transaction[16] volumes continued to increase and these grew on average by just over 7 per cent in 2012, however; there has been a resurgence of paper based retail payments, registering a growth of 3 per cent in total volumes over 2011.

Of note in 2012, was the upsurge in debit card cash transactions at Automated Teller Machines (ATMs). The volumes and values of these transactions increased by 6 per cent and 11 per cent, respectively in 2012, compared to declines of 7 per cent and 2 per cent respectively, in 2011 **(Table 5.2)**.

In general, activity in the payments system continued to display positive trends and adequate attention is being given to the implications and management of key risk areas. In this period, the Central Bank as overseer of the payments system will focus on the further strengthening of the regulatory framework to support payment business. In this regard, the Central Bank has developed and issued a policy document and Guidelines which explain the Central Bank's approach to the effective regulation of payment systems.

---

[14] SIRS in Trinidad and Tobago include the cheque clearing system, the local debit card system and the automated clearing house.

[15] The Central Bank of Trinidad and Tobago under the FIA, 2008 and consequential amendment of the CBA has been assigned broad responsibility for payment systems and payment system oversight.

[16] Electronic payment transactions include Point of Sale transactions and other electronic funds transfers executed over the Real Time Gross Settlement System and the Automated Clearing House.

Table 5.1
Payments System: Relative Significance of Retail Payments Volumes and Values

Values /TT$Billion/			
	2010	**2011**	**2012 (Est)***
Retail Payments	116.7	114.9	136.7
Retail Share (%)	18.6	15.4	17.8
Large Value (LV) Payments	511.9	632.9	633.1
Large Value (LV) Share (%)	81.4	84.6	82.2
TOTAL	628.6	747.8	769.8
Volumes /Million/			
	2010	**2011**	**2012 (Est)***
Retail Payments	38.9	39.9	42.3
Retail Share (%)	99.8	99.8	99.8
LV Payments	0.1	0.1	0.1
LV Share (%)	0.2	0.2	0.2
TOTAL	39.0	40.0	42.4

Source: Central Bank of Trinidad and Tobago.

Table 5.2
Payments System: Volumes and Values of Selected Payment Instruments
/Per Cent/

Payment Instrument	Growth to 2010-2011		(Q1-Q3) Growth 2011 to 2012	
	Volume	Value	Volume	Value
Retail Cheques	2	-5	3	20
Debit Cards				
Point of Sale	*4*	*0*	*9*	*11*
ATM	*-7*	*-2*	*6*	*11*
Credit Cards				
Point of Sale	*3*	*4*	*3*	*2*
ATM	*2*	*7*	*3*	*3*
ACH	8	18	10	22
RTGS	4	25	7	1
LV Cheques	-3	19	4	-5

Source: Central Bank of Trinidad and Tobago.

Appendices

Appendix I: Developments in Regulation and Supervision

Appendix II: Institutions Licensed Under the FIA, 2008
As at September, 2012

Appendix III: Insurance Companies Registered under the Insurance Act, 1980
As at September, 2012

Appendix IV: Occupational Pension Plans Registered under the Insurance Act, 1980
As at November, 2012

Appendix I

DEVELOPMENTS IN REGULATION AND SUPERVISION

Over the period June to September 2012, the Central Bank continued to focus its efforts on strengthening the regulatory and supervisory architecture governing its regulated institutions. As a consequence, the Central Bank participated in several meetings with the Legislative Review Committee (LRC) of Cabinet in order to finalize certain policy positions relating to the Insurance Bill that were agreed with the Association of Trinidad and Tobago Insurance Companies (ATTIC). The Insurance Bill is expected to be laid in Parliament in 2013.

Additionally, the Central Bank collaborated with the Trinidad and Tobago Securities and Exchange Commission (TTSEC) to review the draft Securities Industry Bill. This piece of legislation was revised and re-issued in August 2012 after several consultative sessions were held with various stakeholders. This Bill was laid in Parliament on November 7, 2012, passed in both the house and the senate. The Securities Act (2012) was proclaimed by the President of the Republic of Trinidad and Tobago on December 31, 2012.

During the period, the Central Bank, in cooperation with other relevant Government agencies, was also engaged in preparations for the Financial Action Task Force (FATF)/ Americas Regional Review Group (ARRG) on-site visit to Trinidad and Tobago in August, 2012. The purpose of the FATF/ARRG visit was to test this country's implementation of the relevant legislation and procedures to address strategic deficiencies identified by the FATF and publicized in its statement entitled "Improving Global AML/ CFT Compliance: Ongoing Process". In the June 2011 Financial Stability Report (FSR) it was reported that Trinidad and Tobago had appeared since February 2010 on FATF's list of countries with strategic anti-money laundering (AML) and combating the financing of terrorism (CFT) deficiencies. The FATF Statement of October 19, 2012 noted that:

> *"Trinidad and Tobago had made significant progress in improving its AML/CFT regime and notes Trinidad and Tobago had established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Trinidad and Tobago is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process……"*

Other significant legislative and supervisory developments which have taken place during this period include the following:

All Sector

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

During the period, there were two new developments aimed at enhancing Trinidad and Tobago's AML/ CFT framework. These were as follows:-

i. **Financial Intelligence Unit's Guidance Note on Procedures for the Reporting of Terrorists' Funds**

In July 2012, the Financial Intelligence Unit (FIU) issued a Guidance Note to all financial institutions and listed businesses regarding their obligations under Section 22AB of the Anti-Terrorism Act Chap 12:07 (the ATA). The Guidance Note requires financial institutions and listed businesses to report terrorists' funds immediately and without delay to the FIU and sets out the procedures that are to be followed by the financial institution or listed business under Section 22AB.

ii. **The Miscellaneous Provisions (Financial Intelligence Unit of Trinidad and Tobago and Anti-Terrorism) Act No. 14 of 2012.**

This Act was assented to on August 24, 2012 and sought to amend certain provisions in the Financial Intelligence Unit of Trinidad and Tobago Act (FIUTTA) in order to allow the FIU to inter alia, freeze a transaction based on a third party request, as well as request information from any public authority, including the Central Bank. In addition, the Act introduced some amendments to section 22 of the Anti-Terrorism Act, Chap 12:07 (ATA).

Central Bank's Service Standards

The Central Bank, in order to enhance its accountability and efficiency, has developed and issued standardized timelines (or service standards) for the completion of services to its regulated institutions. The service standards cover regulatory and supervisory services that are provided by the Financial Institutions Supervision Department. While some timelines are statutory and relate to provisions in the Financial Institutions Act, Insurance Act and other legislation, most timelines are voluntary commitments. The Central Bank intends to roll out its service standards on a phased basis over a two year period. The first service standards were issued on July 19 with effect from July 31, 2012 and are available on the Bank's website.

Foreign Account Tax Compliance Act (FATCA)

In the June 2012 FSR, the Central Bank reported that it had commenced its review of the Foreign Account Tax Compliance Act (FATCA) and its implications for the financial sector. Since then, work on FATCA has gained momentum and the Central Bank has written to its banks, non-banks and insurance companies to determine their state of preparedness for FATCA. In addition, the Central Bank has commenced discussions with the relevant trade associations and the TTSEC to establish a National Task Force, whose work will feed into the Regional Task Force on FATCA established by the Council of Finance and Planning (COFAP) Ministers.

Insurance Sector

Financial Condition Reports for Insurance Companies

In anticipation of the enactment of the new Insurance Bill and accompanying Regulations in 2012, the Central Bank initiated another quantitative impact study (QIS) on the Financial Condition Report (FCR) framework, this time for both life and general insurers. The first QIS on the FCR was conducted in 2011 for life insurers, but only two out of fourteen companies participated. Both companies are ready to perform and prepare the FCR as required under the legislation. A second QIS was deemed necessary to allow all other insurance companies to prepare for these new requirements and to assist in this process, guidance in completion of the FCR has been circulated to all companies. The production of a satisfactory FCR will involve stress testing a company's business plan using three of the seven prescribed scenarios in the Regulations. In addition, the FCR will require the application of the Insurance (Caribbean Policy Premium Method) Regulations for life insurers and the Insurance (Capital Adequacy) Regulations for all insurers. Completion and submission of each FCR for this QIS are expected by December 31, 2012.

Under the enactment of the new Insurance Act, the first FCR would be required to be submitted within sixty days after the close of each insurer's financial year from the end of the second year following enactment of the new Insurance Bill.

General Insurance Provisions for Unpaid Claims

The Central Bank continues to work with the general insurance companies to ensure accurate data is entered in the new reporting forms that are used to assess the adequacy of the provisions for unpaid claims. There has been some observed improvement with those companies experiencing the most difficulties but close monitoring is still required. Following a request from the Central Bank, ten out of eighteen companies have recently submitted completed forms in respect of their most recent financial year ends. These forms are currently being assessed.

Conveyancing and Mortgages (Special Provisions) Bill, 2012

On September 28, 2012, the Central Bank at the request of the Ministry of Legal Affairs participated in a stakeholder consultation on the Conveyancing and Mortgages (Special Provisions) Bill, 2012 ("the Bill"). The Bill seeks to address a number of practices adopted by many banks and lending institutions in Trinidad and Tobago which offer mortgage loan facilities. These practices are viewed to be disadvantageous to the mortgagor who must agree to the conditions imposed by the mortgagee in order to obtain a loan.

Among other things, the proposed Bill will tackle the issues of the choice of an Attorney-at-Law with respect to the drafting and preparation of the mortgage and conveyance documents; the various charges attached to the principal when seeking to raise a mortgage; the manner in which interest is calculated on mortgaged amount; and restrictions on the power of sale. The Ministry invited stakeholders to provide feedback on the Bill by end October 2012.

Credit Unions

The Central Bank is currently considering comments received from the industry on the draft Bill and also finalizing a response to the industry. The Minister of Finance has agreed to the Deposit Insurance Corporation (DIC) as the Fund Manager for a Credit Union Protection Fund. The next step will involve meeting with DIC representatives to arrive at a mutually agreed approach to the legislative mechanism by which the fund will be established.

The Minister has indicated that he is expecting to take this legislation to Parliament by the middle of 2013.

Occupational Pension Plans

In December 2012, the Central Bank issued the third and final version of the Policy Proposal Document (PPD) to inform the drafting of a new Occupational Pension Plan Bill. The PPD will be submitted to the Minister of Finance for his approval prior to commencing the drafting of the new Occupational Pension Plans Bill. The main objectives of the Occupational Pension Plan Bill are (i) to protect members and beneficiaries from undue loss; and (ii) promote good governance and proper administration of private pension plans.

The Central Bank has been assisting the Ministry of Finance and the World Bank in their efforts to develop a policy for the introduction of a Universal Harmonized Pension Scheme for Trinidad and Tobago. The goal of having all working and self employed persons covered by a pension scheme, which would be supplemental to their National Insurance Scheme benefits, was mentioned by the Minister of Finance in his 2012/2013 budget presentation.

Payments System

Section 36(cc) of the Central Bank Act Chapter 79:02 (CBA) gives the Central Bank of Trinidad and Tobago (Central Bank) the authority for the supervision of payment systems. In June of 2012, the Central Bank of Trinidad and Tobago finalized its Policy Document on the approach to the regulation of Payments Systems which incorporated comments received from the industry. The approach adopted by the Central bank in the first instance, was to issue a number of Guidelines (as opposed to Regulations) for two main reasons. Firstly, this gave the Bank the opportunity to assess the effectiveness and completeness of the measures before codifying them in the law. Secondly, it allowed time to incorporate the newly emerging international standards by the Bank for International Settlements. It is expected that participants would adhere to these Guidelines as they provide standards of good and safe conduct.

Four broad guidelines have since been developed and were shared with the industry in July of 2012. These Guidelines treat with the following matters:

1. The licensing and operation of Interbank Payment Systems;
2. The registration and operation of Non-Interbank Payment Systems;
3. The Operation of Payment Service Providers including Bill Payment Service Providers; and
4. Payments System Oversight.

Guideline 1-Licensing and Operation of Interbank Payment Systems

Guideline 1 outlines the procedures for those payment systems which are of systemic importance. These include both wholesale and retail Interbank Payment Systems. Part XII of the Financial Institutions Act, 2008 (FIA) establishes the framework for the licensing and supervision of Interbank Payment Systems. This Guideline expands on the licensing and other arrangements for interbank payment systems.

Guideline 2- Registration and Operation of Non-Interbank Payment Systems

Guideline 2 outlines the procedures for entities wishing to operate a Non-Interbank Payment System (other than e-money issuers). These entities are currently only required to register with the Central Bank and submit such information in such frequency as may be required by the Central Bank.

Guideline 3- Operation Of Payment Service Providers Including Bill Payment Service Providers

Guideline 3 outlines the Central Bank's requirements for payment service providers including bill payment service providers. A lighter framework, comparable to that of Non-Interbank Payment Systems is created by the Central Bank under this Guideline. These entities are required to register with the Central Bank and to provide certain basic documentation to establish their identity and the scope of their operations. Minimum standards of disclosure are recommended for the benefit of consumers and certain responsibilities and liabilities are identified in the provision of these services.

Guideline 4- Oversight of Payment Systems

Guideline 4 establishes a framework for the oversight of payment, clearance and settlement arrangements generally, with a particular focus on those systems which the Central Bank has identified as systemically important, the Interbank Payment Systems. These systemically important payment systems (SIPS), with the exception of those systems operated by the Central Bank, must be licensed by and report regularly to the Central Bank.

International Regulatory Developments

Revised Core Principles for Effective Banking Supervision

The Basel Committee on Banking Supervision (BCBS) has reviewed the October 2006 'Core principles for effective banking supervision' and the associated 'Core principles methodology'. The revised document combines the Core Principles and the assessment methodology into a single comprehensive document. The revised set of twenty-nine Core Principles has also been reorganized to foster their implementation through a more logical structure, highlighting the difference between what supervisors do and what they expect banks to do.

Principles 1 to 13 address supervisory powers, responsibilities and functions, focusing on effective risk-based supervision, and the need for early intervention and timely supervisory actions while principles 14 to 29 cover supervisory expectations of banks, emphasizing the importance of good corporate governance and risk management, as well as compliance with supervisory standards.

The Central Bank will be reviewing these principles with a view to determining areas of dissonance between the principles and its legislative and regulatory framework.

Principles for the Supervision of Financial Conglomerates

In September 2012, the BCBS also released an updated Principles for the Supervision of Financial Conglomerates. The 2012 Principles take into account recent updates and developments in the Joint Forum's parent committees, namely the BCBS, the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO). Consequently, the revised principles emphasize essential elements of financial conglomerate supervision such as:

i. The detection and correction of multiple uses of capital (i.e. double or multiple leveraging);
ii. The assessment of group risks (e.g. contagion, concentration, management complexity, and conflicts of interest; and
iii. The minimization of regulatory arbitrage.

The Central Bank is examining the 2012 principles with a view to determining areas of strengthening in its Consolidated Supervision Framework.

Principles for Financial Market Infrastructures

The Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) have introduced updated standards for the regulation of Financial Market Infrastructures (FMIs)[17] . These standards are expected to become effective internationally by the end of December 2012. The new standards were developed mainly in response to the recognition of the increasing significance of FMIs particularly in the light of the uncertainty in the financial markets globally

[17] An FMI is defined as a multilateral system among participating financial institutions, including the operator of the system, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions. http://www.bis.org/publ/cpss94.pdf

during the financial crisis. There are 24 new principles established under this framework which speak to the management of risk in payment systems, securities systems and central counterparties. In particular the standards treat with 10 main issues: **Credit and liquidity risk management, Settlement, CSDs and exchange-of-value settlement systems, Default management, General business risk and operational risk management, Access, Efficiency and Transparency.**

Appendix II
INSTITUTIONS LICENSED UNDER THE FIA, 2008
As at September, 2012

- 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
- RBC Royal Bank (Trinidad and Tobago) 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 (In Liquidation as of Order dated October 17, 2011)
- 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
- RBC Investment Management (Caribbean) Limited
- RBC Merchant Bank (Caribbean) Limited
- RBC Trust (Trinidad and Tobago) Limited
- Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2012

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 [18]
- 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 (Under Special Emergency Powers of the Bank pursuant to Section 44D of the Central Bank Act)
- Colonial Life Insurance Company (Trinidad) Limited (Under Special Emergency Powers of the Bank pursuant to Section 44D of the Central Bank Act)
- 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

[18] Suspended as at 15 June 2010, under Section 68 of the Amended Insurance Act Chp.84:01

Appendix III
INSURANCE COMPANIES REGISTERED UNDER THE INSURANCE ACT, 1980
As at September, 2012

Inactive Life Insurance Companies

- Caribbean Atlantic Life Insurance Company Limited (CALICO) (Under Judicial Management)
- 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)
- N.E.M (West Indies Insurance) Limited
- Mountain General Insurance Company Limited

Active Association of Underwriters

- Lloyd's Underwriters

Appendix IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at November, 2012

Active Pension Plans

- 3M Interamerica Inc Pension Fund Plan
- A.S. Bryden & Sons (Trinidad) Ltd. Pension Fund Plan
- Agostini Insurance Brokers Limited Pension Fund Plan
- Agostini Limited Retirement Plan
- Airports Authority Pension Fund Plan
- Albrosco Limited Staff Pension 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) Limited Pension Fund Plan
- Ansa McAl Limited. Pension Fund Plan
- Anthony N. Sabga Limited 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 Limited Retirement Plan
- Barbados Mutual Pension Scheme
- Baroid Trinidad Services Limited Staff Pension Fund Plan
- Bawodes Limited Pension Fund Plan
- Berger Paints Trinidad Limited Pension Fund Plan (Monthly Paid) Employees
- Berger Paints Trinidad Limited Pension Fund Plan for Weekly Paid Employees
- Bermudez Biscuit Company Limited Staff Pension Fund Plan
- Bristol Myers Squibb (West Indies) Ltd. Pension Fund Plan
- British American Insurance Company (Trinidad) Limited Pension Fund Plan
- British Gas Trinidad Limited Pension Fund Plan
- British High Commission Pension Fund Plan
- BWIA General Staff Pension Fund Plan
- BWIA Pilots Pension Fund Plan
- C.M.B Packaging Trinidad Limited Pension Fund Plan
- Caribbean Bulk Storage and Trading Company Limited Pension Fund Plan
- Caribbean Industrial Research Institute Pension Fund Plan
- Caribbean Packaging Industries Limited Pension Fund Plan for Junior Staff Employees
- Caribbean Packaging Industries Limited Defined Contribution Pension Fund Plan
- Caribbean Packaging Industries Limited Pension Fund Plan for Junior Staff Employees
- Caribbean Services Company Limited Pension Fund Plan
- Central Bank of Trinidad and Tobago Pension Fund Plan
- Century Eslon Limited Pension Fund Plan

Appendix IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at November, 2012

- Citibank (Trinidad and Tobago) Limited Pension Fund Plan
- Clark and Battoo Ltd. Staff Pension Fund Plan
- Coca Cola Bottling (Trinidad and Tobago) Pension Fund Plan
- Coconut Growers Association Pension Fund Plan
- Colonial Fire and General Insurance Company Limited Pension Fund Plan
- Colonial Life Insurance Company (Trinidad) Limited Staff Pension Fund Plan
- Consolidated Insurance Consultants Limited Pension Fund Plan
- PWC Limited Pension Fund Plan (formerly Coopers and Lybrand Pension Fund Plan)
- CPI Limited Defined Contribution Pension Plan
- CUNA Caribbean Insurance Society Pension Fund Plan
- Development Finance Limited Pension Fund Plan
- Diego Martin Credit Union Cooperative Society Staff Pension Fund Plan
- E&Y Services Limited Pension Fund Plan
- Envirotec Holdings Limited Pension Fund Plan (formerly Waste Disposal Limited Pension Fund Plan)
- EOG Resources Trinidad Limited Employees Pension Fund Plan
- Eric Solis Marketing Limited Staff Pension Fund Plan
- F.T. Farfan and Sons Limited Pension Fund Plan
- Ferreira Optical Limited Pension Fund Plan
- First Citizens Bank Pension Fund Plan
- Fujitsu ICL Caribbean (Trinidad) Limited Pension Fund Plan
- Furness Trinidad Limited Pension Fund Plan
- Grace Kennedy Trinidad and Tobago Limited Pension Fund Plan
- Guardian Defined Benefit Pension Fund Plan
- Guardian Holdings Group Defined Contribution Pension Plan (formerly N.E.M (West Indies) Staff Superannuation Scheme)
- Gulf Engineering Services Limited Pension Fund Plan
- Gulf Insurance Limited Pension Fund Plan
- Guyana and Trinidad Mutual Fire Insurance Company Limited Pension Fund Plan
- H.S Services Limited Pension Fund Plan
- Halliburton Trinidad Limited Pension Fund Plan
- Hand Arnold (Trinidad) Limited Employees Pension Scheme
- Heinekin Trinidad and Tobago Limited Pension Fund Plan
- Home Construction Limited Staff Pension Fund Plan
- Hydro Agri Trinidad Limited Salaried Employees Pension Plan
- IBM Retirement Plan
- Insurance Brokers West Indian Limited Pension Fund Plan
- J.N. Harriman and Company Limited Pension Fund Plan

Appendix IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at November, 2012

- J.T.A Supermarkets Limited Pension Fund Plan
- Janouras Customs Design Limited Pension Plan
- Johnson & Johnson (Trinidad) Ltd. Staff Pension Fund Plan
- Joseph Charles Bottling Works and Investments Limited Pension Fund Plan
- Junior Schools Limited Staff Pension Plan
- L.J. Williams Pension Fund Plan
- Lake Asphalt of Trinidad and Tobago (1978) Limited (Monthly) Pension Fund Plan - Staff
- Lake Asphalt of Trinidad and Tobago (1978) Limited (Weekly) Pension Fund Plan -Employees
- Lange Trinidad Limited Pension Fund Plan
- Laughlin and DeGannes and Associate Companies Pension Fund Plan
- Lazzari and Sampson Limited Pension Fund Plan
- Lever Brothers (West Indies) Ltd. Pension Fund Plan
- Life of Barbados Pension Fund Plan
- Lonsdale/Saatchi and Saatchi Advertising Limited Staff Pension Fund Plan
- Mainstream Foods Limited Pension Fund Plan
- Mandev-Qualassure Pension Fund Plan
- Maritime Life (Caribbean) Limited Pension Fund Plan
- Master Mix of Trinidad and Tobago Limited Pension Fund Plan
- Mc Cann Erickson (Trinidad) Limited Pension Fund Plan
- Mega Insurance Company Limited Pension Fund Plan
- Mittal Steel Point Lisas Ltd. Pension Fund Plan
- MTS Pension Fund Plan
- NALIS Pension Fund Plan
- National Flour Mills Pension Fund Plan
- National Gas Company of Trinidad and Tobago Pension Fund Plan
- National Helicopter Services Limited Pension Fund Plan
- National Insurance Board Pension Fund Plan
- National Insurance Property Development Company Limited Pension Fund Plan
- National Union of Government and Federated Workers- Elected Officers Pension Fund
- National Union of Government and Federated Workers- Staff Pension Fund Plan
- Navarro's Shipping Limited Pension Fund Plan
- Neal & Massy Wood Group Ltd Pension Plan
- Neal and Massy Group Pension Fund Plan
- Nestle Trinidad Limited Pension Fund Plan
- Nestle Unionized Employees Pension Fund Plan
- Niherst Pension Fund Plan

Appendix IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at November, 2012

- Oilfield Workers Trade Union Staff Pension Fund Plan
- PCS Nitrogen Merged Pension Fund Plan
- Penta Paints Caribbean Limited Pension and Widows Benefit Scheme
- Pepsi Cola Trinidad Bottling Company Limited Pension Fund Plan
- Phoenix Park Gas Processors Limited Staff Pension Fund Plan
- Point Lisas Industrial Development Corporation Limited Pension Fund Plan
- Port Authority of Trinidad and Tobago Monthly Paid Pension Fund Plan
- Prestige Holdings Limited Pension Fund Plan
- Print - A - Pak Ltd. Pension Fund Plan
- RBP Elevator and Escalator Limited Pension Fund Plan
- RBTT Pension Fund Plan
- Rentokil Initial (Trinidad) Limited Pension Fund Plan
- Repsol E&P T&T Limited Pension Fund Plan
- Republic Bank of Trinidad and Tobago Limited Pension Fund Plan
- Rhand Credit Union Co-operative Society Limited Staff Pension Fund Plan
- Scotiabank Trinidad and Tobago Limited Pension Fund Plan
- Sealand Services Incorporative Pension Fund Plan
- Servol Limited Pension Fund Plan
- Small Business Development Company Limited Staff Pension Fund Plan
- Southern Medical Clinic Limited Pension Fund Plan
- Southern Sales and Services Company Limited Pension Fund Plan
- Stellar Distributions (Trinidad) Staff Pension Fund Plan
- T. Geddes Grant (Trinidad) Staff Savings Pension Fund Plan
- T. Geddes Grant Limited Pension Fund Plan
- Tatil Life Sales Representatives Pension Fund Plan
- TECU Credit Union Co-operative Society Limited Pension Fund Plan
- Telecommunications Services of Trinidad and Tobago Limited Pension Fund Plan
- Texaco (Trinidad) Limited Staff Retirement Plan
- The Beacon Insurance Company Limited Pension Fund Plan for Monthly and Weekly Paid
- The FirstCaribbean International Bank (Trinidad & Tobago) Limited Pension Plan (formerly) The Mercantile Banking and Finance Corporation Ltd. Pension Fund Plan)
- The Group Pension Fund Plan for Non-Professional Employees of Fitzstone Limited
- The Group Pension Plan for the Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Limited
- The Group Pension Plan for the Non-Managerial Employees of American Life and General Insurance Company (Trinidad and Tobago) Limited
- The Group Pension Scheme for the Agents of American Life and General Insurance Company (Trinidad) Limited

Appendix IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at November, 2012

- 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
- The Myerson Tooth Company Ltd. Pension Fund Plan
- The Regional Health Authorities Pension Fund Plan
- The Synod of the Presbyterian Church in Trinidad Pension Fund Plan
- The Trinidad and Tobago Stock Exchange Pension Fund Plan
- The University of the West Indies (St. Augustine) Staff Pension Fund Plan
- Thomas Peake and Company Limited 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 Limited Pension Fund Plan
- Trinidad and Tobago Methanol Company Limited Pension Fund Plan
- Trinidad and Tobago Mortgage Finance Company Limited Pension Fund Plan
- Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 1
- Trinidad and Tobago National Petroleum Marketing Company Limited Pension Fund Plan 2
- Trinidad and Tobago Oil Company Limited Contributory Pension Fund Plan A
- Trinidad and Tobago Oil Company Limited Contributory Pension Fund Plan B
- Trinidad and Tobago Oil Company Limited Employees Benefit Plan
- Trinidad and Tobago Petroleum Company Limited Employees Pension Fund Plan
- Trinidad and Tobago Petroleum Company Limited Staff Pension Fund Plan
- Trinidad and Tobago Pilots Association Pension Plan
- Trinidad and Tobago Port Contractors Limited Staff Pension Plan
- Trinidad and Tobago Solid Waste Management Company Limited 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 Limited Employees Pension Fund Plan
- Trinidad Concrete Products Limited Pension Fund Plan
- Trinidad Contractors Limited Pension Plan
- Trinidad Express Newspapers Limited Pension Fund Plan
- Trinidad Hilton (International) Limited Pension Fund Plan
- Trinidad Nitrogen Company Limited Staff Pension Fund Plan

Appendix IV
OCCUPATIONAL PENSION PLANS REGISTERED UNDER THE INSURANCE ACT, 1980
As at November, 2012

- Trinidad Ropeworks Limited Retirement Plan for Employees
- Trinidad Systems Pension Plan
- Trinrico Steel & Wire Products Limited Pension Fund Plan
- Trintoplan Consultants Limited Staff Pension Fund Plan
- Tucker Energy Services Holdings Limited Pension Plan
- Unicomer (Trinidad) Limited Pension Plan (formerly Courts (Trinidad) Limited Pension Plan)
- Unilever Caribbean Limited Hourly Rated Employees Pension Plan
- United States of America Embassy in Trinidad and Tobago Pension Fund Plan
- Water and Sewerage Authority Pension Fund Plan
- West Indian Tobacco Company Limited Staff Pension Fund Plan
- Western Scientific Company Limited Pension Fund Plan
- William H Scott Limited Pension Fund Plan
- Y. De Lima and Company Limited Pension Fund Plan
- Youth Training and Employment Partnership Programme Limited Pension Fund Plan

Appendix IV
OCCUPATIONAL PENSION PLANS IN THE PROCESS OF BEING WOUND UP
As at November, 2012

- All Trinidad Sugar and General Workers Trade Union Pension Fund Plan
- Associated Battery and Metal Industries Trinidad Ltd. Pension Fund Plan
- Aviation Services Trinidad and Tobago Ltd. Pension Fund Plan
- Bel Air International Airport Hotel Limited Pension Fund Plan
- B.H. Rose Limited Pension Fund Plan
- Bottlers Ltd. Pension Fund Plan
- British Airways Pension Fund Plan
- BWIA (Ltd) Pilots Provident Fund
- BWIA Limited General Staff Provident Fund
- C. Lloyd Trestrail & Co. Ltd. Pension Fund Plan
- CTC Electronics Ltd. Pension Fund Plan
- Caribbean Packaging Industries Ltd. Pension Fund Plan for Senior Staff
- Caribbean Services Company Limited Pension Plan
- Caroni (1967) Ltd. Pension Fund Plan
- Caroni (1975) Ltd. Daily Paid Employees Contributory Pension Fund Plan
- Caroni (1975) Ltd. Employees Pension Fund Plan
- Clico Investment Bank Limited Staff Pension Fund Plan
- Cliffs and Associates Ltd. Pension Fund Plan
- Coates Brothers (Caribbean) Limited 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
- 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
- Goellnicht and Stollmeyer (Marketing) Ltd. Pension Fund Plan
- George Wimpey Caribbean Ltd. Pension Fund Plan
- Gordon Grant Staff Pension Fund Plan
- GlobalSantaFe South America LLC Pension Fund Plan
- Guardian Life of the Caribbean Ltd. Pension Fund Plan
- Hydro Agri Trinidad Limited Hourly Paid Employees Pension Plan
- Industrial Development Corporation Pension Fund Plan
- Inglefield Ogilvy & Mather Caribbean Pension Fund Plan
- Insurance Consultants Ltd. Pension Fund Plan
- International Loss Adjusters Ltd. Pension Fund Plan
- Label House Ltd. Staff Pension Fund Plan

Appendix IV
OCCUPATIONAL PENSION PLANS IN THE PROCESS OF BEING WOUND UP
As at November, 2012

- Medianet Limited Monthly Paid 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
- PCS Nitrogen Pension Fund Plan 2
- Perreira & Company Limited Staff Pension 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
- Royal Caribbean Insurance Limited Staff Pension Fund Plan
- Santana Services Ltd. Pension Fund Plan
- Selco Limited 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
- Textel Pension Plan
- Toyota Trinidad and Tobago Staff Pension Fund Plan
- Trinmar Employees Benefit Pension 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 and Tobago BWIA International Airways Pension Fund Plan
- Trinidad and Tobago Chamber of Commerce Pension Fund Plan
- Trinidad and Tobago Export Development Corporation Pension Fund Plan
- Trinidad & Tobago Forest Products Ltd. Staff Pension Fund Plan
- Trinidad and Tobago Oil Company Ltd. Provident Fund
- Trinidad and Tobago Oil Company - Local 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

Appendix IV
OCCUPATIONAL PENSION PLANS IN THE PROCESS OF BEING WOUND UP
As at November, 2012

- Trinidad Shipping Company Ltd. Retirement Pension Fund Plan
- Trinidad Textile Manufacturing Company Ltd. Pension Fund Plan
- Trinidad and Tobago Oil Company Limited Non Contributory Pension Fund Plan
- Trinidad and Tobago Oil Company Staff Retirement 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

ADVANCE COPY

Central Bank of
Trinidad & Tobago

FINANCIAL STABILITY REPORT 2012