

SUPERVISION PROFILE

CENTRAL BANK OF TRINIDAD AND TOBAGO

1. NAME OF SUPERVISORY AGENCY

Central Bank of Trinidad and Tobago

1(a) CATEGORIES OF FINANCIAL INSTITUTIONS FOR WHICH IT HAS REGULATORY OVERSIGHT: -

The Central Bank is responsible for the regulation of commercial banks that engage in the business of “banking”, and institutions (*NFIs*) which conduct business of a “financial nature” (*excluding exempted institutions*). According to Sec 17 (2) and the First Schedule of the Financial Institutions Act, 2008 (FIA) business of a financial nature includes the following types of business: -

- Confirming House or Acceptance House
- Finance Company
- Leasing Corporation
- Merchant Bank
- Mortgage Institutions
- Trust Company
- Unit Trust
- Financial Services

In addition, with effect from May 25, 2004, the responsibility for the supervision and regulation of insurance companies, insurance intermediaries and private registered pension plans was transferred from the Supervisor of Insurance (Ministry of Finance) to the Central Bank.

The Central Bank is also responsible for the regulation of “authorized dealers” under the Exchange Control Act. Under this piece of legislation, “authorized dealer” means in relation to gold or foreign currency, a person for the time being authorized by the Central Bank to act as an authorized dealer in relation to gold, or as the case may be, any foreign currency or currencies. This includes:

- Cambios
- Bureaus de change

In December 2008, the Central Bank Act was amended and the Central Bank assumed responsibility for supervising the operations of payments systems in Trinidad and Tobago generally, Interbank Payment Systems in accordance with the Financial Institutions Act and the transfer of funds by electronic means including money transmission, or remittance business.

2. NUMBER OF ENTITIES SUPERVISED IN EACH CATEGORY

Categories	No. of Entities
1) Commercial Banks	8
2) Non-bank Financial Institutions (NFIs)	18
3) Active Insurance Companies	31
4) Pension Plans	
i. Self Administered Plans	94
ii. Insured Plans	97
iii. Plans in the process of winding up	64
5) Insurance Brokers	82
6) Insurance Agents	470
7) Insurance Salesmen	2157
8) Insurance Adjusters	25

2(a) NAMES OF COMMERCIAL BANKS, NON-BANK FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES SUPERVISED

FINANCIAL INSTITUTIONS		
Type	Number	Names
Commercial Banks	8	1) Bank of Baroda 2) Citibank (Trinidad and Tobago) Limited 3) First Caribbean International Bank (Trinidad and Tobago) 4) First Citizens Limited 5) Intercommercial Bank Limited 6) RBTT Bank Limited 7) Republic Bank Limited 8) Scotiabank Trinidad and Tobago Limited

FINANCIAL INSTITUTIONS		
Type	Number	Names
Non-Bank Financial Institutions (NFIs)	18	<ol style="list-style-type: none"> 1) AIC Finance Limited 2) ANSA Merchant Bank Limited 3) Caribbean Finance Company Limited 4) Citicorp Merchant Bank Limited 5) CLICO Investment Bank Limited (Under Central Bank control in accordance with section 44d of the Central Bank Act) 6) Development Finance Limited 7) Fidelity Finance & Leasing Company Limited 8) First Citizens Asset Management Limited 9) First Citizens Trustee Services Limited 10) General Finance Corporation Limited 11) Guardian Asset Management Limited 12) Intercommercial Trust and Merchant Bank Limited 13) Island Finance Trinidad & Tobago Limited 14) RBTT Asset Management Limited 15) RBTT Merchant Bank Limited 16) RBTT Trust Limited 17) Republic Finance & Merchant Bank Limited 18) Scotiatrust and Merchant Bank Trinidad and Tobago Limited
Active Life Insurance Companies	6	<ol style="list-style-type: none"> 1) Bancassurance Caribbean Limited 2) Maritime Life (Caribbean) Limited 3) Sagicor Life Inc. 4) ScotiaLife Trinidad and Tobago Limited 5) Tatil Life Assurance Limited 6) The Demerara Life Assurance Company of Trinidad and Tobago Limited

FINANCIAL INSTITUTIONS		
Type	Number	Names
Active General Insurance Companies	16	<ol style="list-style-type: none"> 1) Bankers' Insurance Company of Trinidad and Tobago Limited 2) Capital Insurance Limited 3) Colonial Fire & General Insurance Company Limited 4) Export-Import Bank of Trinidad and Tobago (Eximbank) Limited 5) Furness Anchorage General Insurance Limited 6) GTM Insurance Company Limited 7) Gulf Insurance Limited 8) Maritime General Insurance Company Limited 9) Motor and General Insurance Company Limited 10) Motor One Insurance Company Limited 11) Sagicor General Insurance Inc. 12) The Great Northern Insurance Company Limited 13) The New India Assurance Company (Trinidad and Tobago) Limited 14) The Presidential Insurance Company Limited 15) Trinidad and Tobago Insurance Limited 16) United Insurance Company Limited
Active Composite (Life & General) Insurance Companies	9	<ol style="list-style-type: none"> 1) American Life & General Insurance Company (Trinidad and Tobago) Limited 2) British American Insurance Company (Trinidad) Limited (Under Central Bank control in accordance with section 44d of the Central Bank Act) 3) Mega Insurance Company Limited 4) Reinsurance Company of Trinidad and Tobago Limited 5) The Beacon Insurance Company Limited 6) Guardian Life of the Caribbean Limited 7) Cuna Caribbean Insurance Society Limited 8) Guardian General Insurance Limited 9) Colonial Life Insurance Company (Trinidad) Limited (Under Central Bank control in accordance with section 44d of the Central Bank Act)

FINANCIAL INSTITUTIONS		
Type	Number	Names
Active Association of Underwriters	1	1) Lloyd's Underwriters
Inactive Life Insurance Companies	2	1) Sun Life Assurance Company of Canada 2) United Security Life Insurance Company Limited
Inactive General Insurance Companies	1	1) Mountain General Insurance Company Limited
Inactive Composite (Life & General) Insurance Companies	1	1) Caribbean Insurance Company Limited
Life Companies in Compulsory Liquidation	1	1) Nationwide Insurance Company Limited
General Companies in Compulsory Liquidation	3	1) Citizen Insurance Company Limited 2) Goodwill General Insurance Company Limited 3) Nationwide Insurance (Casualty and General) Company Limited
De-registered Life Companies	1	1) Cuna Mutual Insurance Society
De-registered General Insurance Companies	1	1) Royal Caribbean Insurance Limited
De-registered Composite (Life & General) Companies	1	1) The Western General Insurance Company Limited
Life Companies Under Judicial Management	1	1) Caribbean Atlantic Life Insurance Company Limited (CALICO)

3(a) PRUDENTIAL INFORMATION/DATA REQUIRED OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS AND REPORTING INTERVAL

Prudential Information/Data	Source/Report	Reporting Frequency
1. Foreign exchange exposures	Capital Adequacy – Foreign Exchange Risk Report (CB 101)	Monthly
2. Ratio of Deposit liabilities to paid-up share capital and statutory reserve fund	Calculated from Monthly Statement of Condition (CB 20)	Monthly
3. Liquid Assets Ratio: a) Total Foreign Liabilities b) Liquid Foreign Assets	Weekly Statement of Condition (CB 10)	Weekly
4. Qualifying Capital: a) Core Capital b) Supplementary Capital	Capital Adequacy Report (CB 100)	Monthly
5. Qualifying Capital: a) Core Capital b) Supplementary Capital	Consolidated Capital Adequacy Report (CB100A & CB100B)	Quarterly
6. Risk Adjusted Assets	Capital Adequacy Report (CB 100)	Monthly
7. Statutory Reserve Fund	Audited Financial Statements	Annually
8. Cash Reserve Balance	Reserve Requirement Position	Daily
9. Income Statement	Statement of Income & Expenses (CB 40) – unaudited Audited Financial Statements	Quarterly Annually
10. Balance Sheet	Weekly Statement of condition (CB 10) Monthly Statement of Condition (CB 20) Audited Financial Statements	Weekly Monthly Annually
11. Weighted Average Interest Rates	Weighted Average Interest Rate Report (CB 30)	Quarterly

Prudential Information/Data	Source/Report	Reporting Frequency
12. Loans and Deposits	Special Report on Loans and Deposits (CB90)	Monthly
13. Information on Management/Board of Directors	Personal Questionnaire and Declaration (PQD)	Annually and whenever there is a change in management/ Board of Directors
14. Detailed Listing of Investments	Revised Investment Return (CB110)	Monthly
15 Shareholdings >5%	Quarterly Shareholdings Report (QS)	Quarterly
16. New Financial Instruments	New Financial Instruments	Monthly
17. Large Credit Exposures	Report on credit exposures 25% and over (CB105)	Quarterly

3(b) PRUDENTIAL INFORMATION/DATA REQUIRED OF INSURANCE COMPANIES AND REPORTING INTERVAL

Prudential Information/Data	Source/Report	Reporting Frequency
1. Balance Sheet	Statement of Condition (CB 20)	Quarterly
2. Income Statement - Unaudited	Statement of Income & Expenses (CB 40) – unaudited	Quarterly
3. Detailed Audited Balance Sheet and Income Statement	Annual Returns	Annually
4. QIS- Capital Adequacy	Capital Adequacy Framework Valuation Methodology for Long Term Insurance Business	One Time Submission
5. Reinsurance Arrangements	Reinsurance Treaties	Annually
6. Actuarial Valuation	Actuary's Abstract	Triennially
7. Fit and Proper	Key Personnel Report/Personal Questionnaire Declaration	Annually

3(c) PRUDENTIAL INFORMATION/DATA REQUIRED OF INSURANCE AGENTS AND BROKERS AND REPORTING INTERVAL

Prudential Information/Data	Source/Report	Reporting Frequency
1. Audited Balance Sheet and Income Statement	Annual Audited Accounts	Annually
2. Confirmation by an auditor of Compliance with Regulations 11, 12 and 14 of the Insurance Act 84:01	Audit Certificate	Annually
3. Evidence of Professional Indemnity Insurance of at least TT \$5 million (brokers only)	Renewal Notice of Insurance cover	Annually

3(d) PRUDENTIAL INFORMATION/DATA REQUIRED OF PRIVATE REGISTERED PENSION PLANS AND REPORTING INTERVAL

Prudential Information/Data	Source/Report	Reporting Frequency
All Pension Plans		
1. Semi-Annual Return Schedules for Pension Plans	Semi Annual	Semi-Annual
Insured Plans		
1. Revenue Statements	Audited Accounts	Annually
Self Administered Plans		
1. Balance Sheet and Revenue Statements	Audited Accounts	Annually
2. Funding and Solvency Position	Actuarial Valuations	Triennially

4. PRUDENTIAL INFORMATION/DATA PUBLISHED BY SUPERVISORY AUTHORITY AND PUBLICATION INTERVALS

Publications	Prudential Information/Data	Reporting Frequency
Annual Report	<p>OPERATIONAL STATISTICS:</p> <ul style="list-style-type: none"> • Currency in active circulation • Central Bank Statement of Liabilities and Assets <p><u>Commercial Banks and NZISS:</u></p> <ul style="list-style-type: none"> • Average Deposit Liabilities • Required Cash Reserves • Actual Cash Reserves <p>OTHER DATA</p> <p><u>Commercial Banks, NFIs, Total Banking System:</u></p> <ul style="list-style-type: none"> • Gross Assets • Total Liabilities • Asset Quality Ratios • Liquidity Ratios • Capital Ratios 	Annually
Economic Bulletin	<ul style="list-style-type: none"> • Review of Economic and Financial Developments: • Gross Domestic Product • Domestic Production • Labor Market • Prices • Central Government Fiscal Operations • Money, Credit and Interest Rates • Capital Market • International Trade and Payments • Regional Economic Developments • Commodities • Calendar of Key Economic Events 	May, August, November
Annual Economic Survey	<ul style="list-style-type: none"> • Overview of Economic Developments • National Accounts • Domestic Production • The Labour Market • Prices • Fiscal Operations • Monetary and Financial Developments • The Domestic Capital Market • International Trade and Payments 	Annually

Publications	Prudential Information/Data	Reporting Frequency
Recent Economic Developments	<ul style="list-style-type: none"> • Financial Indicators • Net Foreign Reserves • Banking System Assets • Commercial Banks: Summary of Assets and Liabilities; Deposits Outstanding by Type; Loans Outstanding by Type; Net Foreign Currency Position • Money Supply • Selected Interest Rates • TT Dollar Exchange Rates • Sales and Purchases of Foreign Currency • Effective Exchange Rate • Retail Price Index • Producers' Price Index • Prices of Selected Commodities • Petroleum Production • Production and Exports of Selected Commodities • Index of Domestic Production • Industrial Indices • Index of Retail Sales • Gross Domestic Product • Labour Force & Employment • Central Government Fiscal Operations 	Bi-monthly
Statistical Digest	<ul style="list-style-type: none"> • Banking System • Central Bank • Commercial Banks • Non-Bank Financial Institutions • Financial System • Installment Credit • Interest Rates • Capital Market • Public Sector • Foreign Trade • Domestic Production Prices • Unemployment 	Bi-Annually
Monthly Statistical Digest	<ul style="list-style-type: none"> • Monthly statistics on the financial system. Reported statistics include the Central Bank's and commercial banks' assets and liabilities, interest rates and capital market indicators and retail and commodity prices. 	Monthly

Publications	Prudential Information/Data	Reporting Frequency
Monetary Policy Report	<ul style="list-style-type: none"> • Policy Setting: <ol style="list-style-type: none"> (1) The International Economy (2) The Domestic Economy • Monetary Policy • Financial Sector Developments: <ol style="list-style-type: none"> (1) Money and Credit (2) Mutual Funds (3) Bond Market (4) Stock Market 	Bi-annually
Annual Report on Insurance and Pensions	<ul style="list-style-type: none"> • Report on the Central Bank of Trinidad and Tobago • Overview of the Insurance Industry • Long Term Business • General Insurance Business • Association of Underwriters • Insurance Intermediaries • Pension Fund Plans 	Annually
Payments quarterly and Safe-tt	<ul style="list-style-type: none"> • Geared towards educating the public on the operations of payment systems within Trinidad and Tobago. 	Quarterly
Summary Economic Indicators Bulletin	<p>The bulletin covers the following information domains:</p> <ul style="list-style-type: none"> • Gross Domestic Product • Prices • Commodities • Interest Rates • Monetary and Banking Aggregates • The Real Estate Market and Indicators of Construction Activity • Retail Sales • The Foreign Exchange Market • The Insurance Sector • Capital Markets and Payment System • The Balance of Payments 	Quarterly
Financial Stability Report	Summarizes macroeconomic developments and local indicators of the health of the Trinidad & Tobago financial systems.	Annually

5. GOVERNING LEGISLATION

Key legislation governing licensees/registrants:-

- Financial Institutions Act, 2008
- Financial Institutions (Prudential Criteria) Regulations, 1994
- Central Bank Act, Chapter 79:02 (as amended)
- Insurance Act, 1980 (as amended)

- Insurance (Admissible Assets and Valuation of Assets) (Amendment) Regulations 2009

Anti Money Laundering legislation that have an impact on the financial services sector:-

- The Anti -Terrorism Act, Chap 12:07
- Financial Obligations Regulations 2010
- Financial Intelligence Unit of Trinidad and Tobago Act, 2009
- The Proceeds of Crime Act, Chap 11:27

Other Legislation

- Companies Act, 1995
- Electronic Transfer of Funds Crime Act 2000
- Computer Misuse Act 2000
- Foreign Investment Act, 1990
- Securities Industry Act, 1995

6. MAJOR CHANGES TO BANKING/FINANCIAL STATUTES OVER THE PAST TEN YEARS:-

- The *Financial Institutions Act 2008* repealed and replaced the Banking Act Chap.79:02 and the Financial Institutions Act of 1979 and 1993. In addition, the Financial Institutions (Non-Banking) Regulations, 1981 and the Banking Regulations were repealed.
- In 2002 the Bank reduced the statutory reserve requirement for commercial banks from 21% to 18%. In October 2003, the Central Bank announced the following phased plan for the reduction of the reserve requirement.
 - Phase 1 (a four percentage reduction in the reserve requirement from 18% to 14% was effected on October 22, 2003);
 - Phase 2 (a three percentage reduction in the reserve requirement from 14% to 11% was effected on September 10, 2004);
 - Phase 3 (a two percentage reduction in the reserve requirement from 11% to 9%). The implementation of this final phase has been deferred pending the existence of the appropriate economic conditions.
 - As at December 31, 2010 the reserve requirement stood at 17%.
- The *Liquid Assets Ratio (LAR)* is a prudential ratio, which requires licensed financial institutions to maintain a certain percentage of foreign liquid assets as a precautionary balance against their foreign liabilities. In September 2001, the LAR requirement was revised downwards to 20% from 25%. Additionally, prior to September 2001, only commercial banks were required to adhere to this ratio; however, this requirement has since been extended to non-bank financial institutions that accept foreign currency deposits.
- In mid-2002, a new monetary framework was adopted using a policy interest rate – the *Repo rate* as the main operating instrument. The Repo rate is the rate that the Central Bank charges commercial banks for overnight funds. In this framework, changes in the Repo rate are used to influence banks' short-term interest rates and

ultimately the interest rate structures of commercial banks and other financial institutions.

7. AREAS IDENTIFIED FOR FURTHER LEGISLATIVE CHANGE AND DETAILS/STATUS OF ANY NOW IN PROGRESS:-

Reforms to the Insurance Act

The Central Bank of Trinidad and Tobago has proposed the reform of the Insurance Act 84:01. A revised Insurance Bill and accompanying Regulations were issued to the industry in October 2009 and a Public Consultation on the Bill and Regulations was held in December 2009. The Bill and Regulations are currently being further revised to take into consideration additional comments received from the industry. It is expected that the Bill and Regulations will go to Parliament in 2011. The proposed reforms are intended to close gaps in the legislative/ supervisory framework to discourage regulatory arbitrage and/or enhance the powers of the supervisory authority.

The proposals have been organized under five main categories: the supervisory system; the supervised entity; on-going supervision; prudential requirements; and markets and consumers. Highlights of the proposals within each category are summarized below.

The Proposed amendments to the Insurance Act 84:01 in summary are as follows:

Proposals related to **the supervisory system** would:

- More clearly establish the Central Bank's supervisory objectives and mandate;
- Strengthen the ability of the Inspector to operate without inappropriate interference;
- Facilitate the timely enactment of regulations and adoption of guidelines;
- Enable the Central Bank to share supervisory information with other supervisory agencies and the Financial Intelligence Unit; and
- Protect the Central Bank against lawsuits for actions taken in good faith.

Proposals related to **the supervised entity** would:

- Enhance the Central Bank's ability to deal with unauthorized activities;
- Increase the minimum share capital required of an insurer to a level commensurate with that needed to establish a viable operation;
- Enable foreign insurers to establish representative offices;
- Provide for more effective oversight of the establishment, acquisition and operation of subsidiaries, foreign branches and representative offices by insurers;
- Facilitate the oversight of ownership by introducing the concepts of an acquirer (with 10 percent of the voting power) and a significant shareholder (with 20 percent of the voting power) - and raising the threshold for defining a controlling shareholder (from 33 1/3 percent of the voting power to more than 50 percent);
- Require insurers to provide the Central Bank with a list of persons with holdings of five percent or more of issued share capital, on a quarterly basis;
- More effectively protect insurers from group risk by requiring separation of the financial and non-financial activities of a group; separation would be achieved through the use of a financial holding company, where this is necessary in the opinion of the Central Bank;
- Limit the exposure of policyholders to risks related to other dissimilar classes of insurance by prohibiting the registration of additional insurers as composite companies;
- Strengthen the ability to ensure that key functionaries are fit and proper; and

- Promote better corporate governance by requiring audit committees and annual reporting by directors and senior management, and prescribing additional responsibilities for directors, auditors and actuaries.

Proposals related to **on-going supervision** would:

- Broaden the scope and enhance the quality of financial information regularly provided to the Central Bank and disclosed to the public;
- Enhance the Central Bank's ability to obtain additional information from insurers, affiliates, controlling and significant shareholders, and acquirers;
- Enable the Central Bank to conduct consolidated supervision, for example by broadening its powers to inspect subsidiaries and offshore operations of insurers;
- Provide the tools to restrict or limit connected party transactions;
- Extend the range of preventive and corrective measures available to the Central Bank and make it easier to apply such measures when necessary; and
- Provide for fairer and more orderly exit from the market, for example by clearly establishing a high priority for policyholders to the assets of an insurer that is winding-up.

Proposals related to **prudential requirements** would:

- Enable the Central Bank to impose risk-based capital adequacy requirements;
- Enable the Central Bank to establish prudential requirements on a group basis;
- Provide the Central Bank with more effective oversight of significant investments;
- Comprehensively define credit exposure and provide for more effective control and reporting of large exposures;
- Modify the definition of a connected party and restrict an insurer's exposures to such parties; and
- Under certain conditions, enable insurers to enter into credit exposures where the counterparty will be using the funds to acquire shares of the insurer.

Proposals related to **markets and consumers** would:

- Enhance the protection of consumers with respect to funds handled by intermediaries;
- Establish the category of "surplus lines broker", to facilitate the placement of insurance that is not available locally;
- Explicitly require insurers to follow fair claims settlement practices;
- Establish rules to govern the designation of beneficiaries and clearly define their rights; and
- Reinforce the ability of insurers to combat insurance fraud, money laundering and terrorist financing, for example, through exchanges of information.

Other legislative proposals: -

Credit Union Bill

The Central Bank is in the process of developing a Credit Union Bill which would recognize the Bank as the supervisory authority for credit unions. The draft Credit Union Bill is in its final stages of development and is expected to go to the industry for consultation during the fourth quarter of 2011.

The proposals have been organized into four main categories: the supervisory system; certification and on-going supervision; the supervised entity and prudential criteria.

The Credit Union Act proposals in **summary are as follows:**

Proposals related to the **supervisory system** would:

- Enable the Central Bank to share information with other supervisory agencies;
- Enable the Central Bank to determine the safety and soundness of credit unions;
- Help to maintain public confidence in, and promote the stability of the financial system of Trinidad and Tobago.

Proposals related to the **certification and on-going supervision** would:

- Require a credit union to be registered under the Cooperative Societies Act (CSA) and to obtain an operating certificate from the Central Bank to conduct the business of a credit union;
- Outline the business of a credit union, where the business includes the provision of financial services as listed in the First Schedule.
- Require board members, members of committees (that the credit union will be required by law to establish) and officers to meet fit and proper criteria;
- Promote governance principles for credit unions by requiring mandatory term limits for board members and additional committees such as Investment and Risk Management Committees, where the complexity of the operations and risk profile of the credit union may require such;
- Require the submission of audited financial statements and other information as deemed necessary;
- Establish enforcement powers to enable the Central Bank to issue directions to credit unions to become compliant with the Credit Union Act (CUA) and to cease from engaging in unsound practices.

Proposals related to the **supervised entity** would:

- Establish an optional category of permanent shares which would form part of the capital of the credit union;
- Allow member shares and deposits to be withdrawable on demand or subject to a required period of notice;
- Specify conditions under which a credit union can make loans to its elected officers;
- Permit a credit union to voluntarily wind-up its business affairs with the approval of the Central Bank;
- Provide for the regulation of Secondary Bodies.

Proposals related to **prudential criteria** would:

- Require credit unions to maintain a minimum level of institutional capital of eight (8) percent of total assets.
- Restrict the payment of dividends where a credit union has not met the required level of institutional capital;
- Restrict credit unions to borrowings of 8 percent of total assets with the option (Subject to certain conditions) to borrow up to a maximum of 10% of total assets. Restrict a credit union's real estate holdings acquired either directly or indirectly for the satisfaction of debts due, to a maximum period of five years from the date of acquisition.
- Limit a credit union's credit exposure to a single entity, individual member or related party or parties, either individually or collectively, to twenty-five (25) percent of institutional capital,
- Limit a credit union's equity investment in an individual entity to less than 20 percent of the shares of that entity; except for a locally regulated financial entity
- Limit investment by a credit union in the equity of other entities, in aggregate, to a maximum of twenty (20) percent of the credit union's institutional capital;
- Require credit unions to maintain a minimum liquid assets ratio of fifteen (15) percent in relation to total liabilities inclusive of members' withdraw-able shares.

- Restrict a credit union's real estate holdings to 5 percent of its total assets except for owner occupied property i.e. real estate necessary for conducting its business or housing its officers or employees.

Proposals related to the **remaining matters** would:

- Retain within the purview of the Commissioner the power of registration, the power to de-register credit unions that have been wound up by the Central Bank, as well as jurisdiction over all constitutional matters that relate to registration, by-laws and the resolution of disputes;
- Authorize the Central Bank to impose civil money penalties on credit unions for breaching certain sections of the CUA and to specify criminal penalties;
- Establish the right of credit unions to appeal the imposition of civil money penalties and certain other regulatory decisions of the Central Bank to a Judge in chambers;
- Allow a transition period ranging from 6 months to five (5) years for existing credit unions to become compliant with the CUA.
- Allow the Central Bank to issue guidelines that govern sound business, governance and risk management practices of credit unions.

Pension Plans

The government also mandated the reform of existing legislation governing pension plans. In December 2009, the Central Bank issued a Policy Proposal Document for a new Occupational Pension Plans Bill to the industry stakeholders for comment by April 9, 2010. The Policy Proposal Document was developed by a technical working committee comprising representatives from various stakeholder groups in the pensions industry namely trustees, actuaries, the Association of Trinidad and Tobago Insurance Companies (ATTIC), the Institute of Chartered Accountants of Trinidad and Tobago (ICATT), the Board of Inland Revenue, the Employers' Consultative Association (ECA) and staff of the Central Bank.

The new legislation proposes to modernize the various pieces of legislation and the draft regulations that currently govern **occupational** pension plans – the Insurance Act Chapter 84:01; the Income Tax Act Chapter 75:01; the 1969 Draft Regulations and the Trustee Ordinance (Ch.8 No.3).

In considering the framework necessary to effectively supervise these plans consideration was given to:

- Legislation governing the pensions industry in Canada, the United Kingdom, South Africa, and Barbados; these jurisdictions were chosen as they incorporate updated legislation, similarity of pension plans and comparison with at least one regional counterpart;
- The Organization for Economic Co-operation and Development (OECD) Occupational Pensions Core Principles and Methodology;
- The International Organization of Pension Supervisors (IOPS) Principles for Pension Supervision;
- Canadian Association of Pension Supervisory Authorities (CAPSA) – Proposed Regulatory Principles for a Model Pension Law;
- Lawrie Savage and Associates - Proposals for a revised supervisory regime for approved pension plans.

The proposals have been organized under seven main categories: members and beneficiaries; supervisory system; supervised entity; on-going supervision; governance; prudential requirements; and winding-up of a pension plan. Highlights of the proposals within each category are summarized below.

The Occupational Pension Act proposals in **summary are as follows:**

Proposals related to **members and beneficiaries** would:

- Protect the rights of plan members with respect to benefits earned;
- Strengthen communication between plan sponsors, trustees and members so that members are informed of their benefits and are provided with other information on the plan in a timely manner.

Proposals related to the **supervisory system** would:

- Facilitate the adoption of guidelines;
- Protect the Central Bank against lawsuits for actions taken in good faith;
- Strengthen the ability of the Inspector of Financial Institutions (Inspector) to act without inappropriate interference.

Proposals related to the **supervised entity** would:

- Promote good governance of pension plans and define accountabilities;
- Establish guidelines to address conflicts of interest in pension plan management;
- Provide for more effective oversight of the establishment and operation of pension plans.

Proposals related to **on-going supervision** would:

- Broaden the scope and enhance the quality of information regularly provided to the Central Bank and pension plan members;
- Enhance the Central Bank's ability to obtain information from trustees and management committee members;
- Provide the tools to limit connected party transactions;
- Extend the range of preventive and corrective measures available to the Central Bank;
- Provide for more orderly exit from the market by strengthening existing provisions with regard to winding-up; and
- Develop an appeals procedure to resolve disagreements that may arise with the Central Bank.

Proposals related to **governance** would:

- Delineate statutory roles and responsibilities for trustees, management committees and plan sponsors; and
- Enhance the content of plan trust deeds and rules.

Proposals related to **prudential requirements** would:

- Strengthen the internal controls and risk management of pension plans by:
 - Reviewing investment limits;
 - Identifying permissible assets; and
 - Requiring adequate investment policies and procedures.
- Provide the Central Bank with more effective oversight of assets and liabilities.

Proposals related to **winding up a pension plan** would:

- Prescribe circumstances for the Central Bank to wind up a pension plan;
- Provide structure and accountability for voluntary winding up of a pension plan; and
- Enhance communication with members during a wind up.

8. FORMAL DIRECTIVES, POLICIES, GUIDELINES/GUIDANCE NOTES ISSUED BY SUPERVISORY AUTHORITY TO LICENSEES:-

- **Exit Policy** – This Policy was introduced with effect from October 1, 2001. The Policy details a series of mandatory and/or discretionary steps that the CBTT would take as the performance of licensed financial institutions deteriorates through a series of triggers (i.e. key prudential and management indicators).

The Policy is intended to facilitate the timely restructuring or orderly exit of failing financial institutions through prompt, corrective action. The policy is currently under revision.

- Guidelines for the use of **Bankers' Acceptances** (March 1995)
- Guidelines for the **Licensing of Financial Institutions** (April 1994 - revised January 2008)
- Guideline on **Corporate Governance** (May 2007)
- Guideline on **Prudent Person Approach to Investment and Lending** (May 2005)
- **Fit and Proper** Guideline (May 2005)
- Guideline on **Security Systems for Safeguarding Customer Information** (May 2005)
- Guidelines for the Measurement, Monitoring and Control of Impaired Assets (July 2007)
- Market Risk Instruction Manual (January 2008)
- Claims Guideline (September 2008)
- Guideline for the Reporting of Large Credit Exposures (October 2009)
- Consolidated Prudential Reporting Guideline (February 2010)
- Guidance re: Section 33(3) of the Financial Institutions Act, 2008

In September 2010 the Central Bank issued a Circular to all licensed financial institutions advising of the criteria to be taken into consideration when applying for a permit for a director or officer of a licensed financial institution to be a director or officer of another licensed financial institution.

- Guideline on **Combating Money Laundering and Terrorist Financing** (updated December 2005)

It should be noted that revisions to this Guideline is currently in progress. A draft will be issued for industry comment in April 2011. In addition, the development of a regulatory framework for the supervision and licensing of money transmission and remittance business is currently in progress. The framework is expected to be ready for issue to the industry for comment and consultation in May 2011.

Anti-Money Laundering/ Combating of Terrorist Financing

- The Proceeds of Crime (Amendment) Act 2009
- Financial Intelligence Unit Act of Trinidad and Tobago 2009
- The Anti-Terrorism (Amendment) Act 2010
- Financial Obligations Regulations 2010

Between October 2009 and February 2010 various pieces of legislation were enacted to facilitate Trinidad and Tobago's compliance with FATF's 40 plus 9 recommendations for AML/ CFT.

An important aspect for the Central Bank is that the recently enacted Financial Obligations Regulations specifically names the Central Bank as the Supervisory Authority for those financial institutions that come under its purview.

Cost Recovery Regulations

The Central Bank proposes to introduce, Regulations for the recovery of supervisory fees and charges in accordance with the section 60 of the Central Bank Act as amended in 2008. Draft Regulations have been developed and are to be made into effect by the Minister of Finance. The Draft Regulations can be viewed on the Bank's website.

9. STATUS OF JURISDICTION VIS A VIS BASEL CORE PRINCIPLES OF BANKING SUPERVISION

An assessment of Trinidad and Tobago's compliance with the Basel Core Principles (BCPs) for Banking Supervision was carried out by an FSAP Mission team in late 2010. The findings from this assessment were included in the report on the country's overall assessment. The assessments showed that Trinidad and Tobago's observance of the BCPs has improved markedly since the 2005 FSAP. This is evident as the Central Bank took major steps to strengthen the regulation and supervision of banks, including the introduction of limits on large exposures and connected party lending, and reporting of financial statements and prudential returns on a solo and consolidated basis.

10. JURISDICTION STATUS VIS A VIS FINANCIAL SECTOR ASSESSMENT PROGRAMME (FSAP)

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

During the same period an International Monetary Fund (IMF) Mission visited Port of Spain and simultaneously conducted the annual Article IV Consultation with Trinidad and Tobago Prior to this, the last Article IV Mission took place in 2008.

March 31, 2011