

LEGAL NOTICE NO. 216

REPUBLIC OF TRINIDAD AND TOBAGO

THE FINANCIAL INSTITUTIONS ACT, 2008

NOTIFICATION

MADE BY THE CENTRAL BANK OF TRINIDAD AND TOBAGO UNDER SECTION
79(3) OF THE FINANCIAL INSTITUTIONS ACT

WHEREAS in accordance with section 79(1) of the Financial Institutions Act, No. 26 of 2008 (hereinafter referred to as “the Act”), every licensee under the Act is required to furnish the Inspector of Financial Institutions, on a quarterly basis, with a report on all credit exposures amounting to ten per cent or more of the capital base of the licensee:

And whereas section 79(3) of the Act prescribes that the Central Bank shall issue the criteria for reporting on credit exposures, by notification in the *Trinidad and Tobago Gazette* and in at least two daily newspapers published and circulated in Trinidad and Tobago or through guidelines, with respect to the details to be provided by licensees under subsection (1):

Notice is hereby given to licensees that the report required under section 79(1) shall contain information on credit exposures in respect of counterparties which shall be disaggregated according to categories, such as, “connected parties”, “connected party groups”, “borrower groups”, “related groups” and “individual borrowers” and shall be in the form and contain such details as set out in the Guidelines for the Reporting of Credit Exposures issued by the Central Bank of Trinidad and Tobago contained in the Schedule.

SCHEDULE



**Guidelines
for the
Reporting
of
Large Credit Exposures**

October 2009

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Reporting of Credit Exposures

Section 79(1) of the Financial Institutions Act 2008 (the Act) stipulates that a licensee shall report on a quarterly basis, all credit exposures to persons, borrower groups or related groups amounting to ten per cent (10%) or more of its capital base. Accordingly, the Central Bank of Trinidad and Tobago has developed two reporting forms to provide a standardized format for capturing the required data on a quarterly basis. The two forms are as follows:

- a) Credit exposures to persons other than connected parties which are greater than or equal to 10% of the licensee's capital base; and
- b) Credit exposures to connected parties greater than or equal to 10% of the licensee's capital base.

The definitions of "borrower group", "related group" and "connected party" in the Act are reproduced at the back of this guideline for ease of reference.

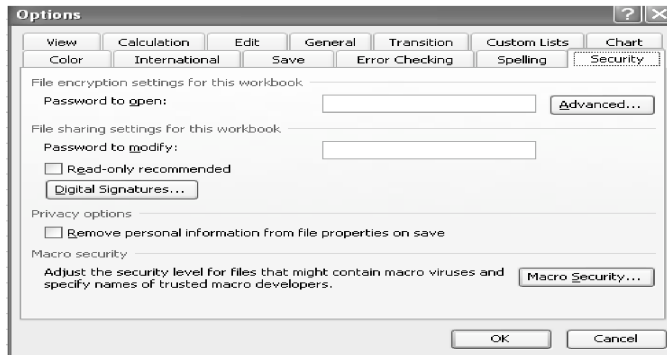
Commencement of Quarterly Reporting

Licensees would be required to report on the relevant credit exposures using calendar quarters beginning from the quarter ending December 31st 2009. Quarterly reports are to be submitted within twenty (20) working days of the quarter to which the report relates.

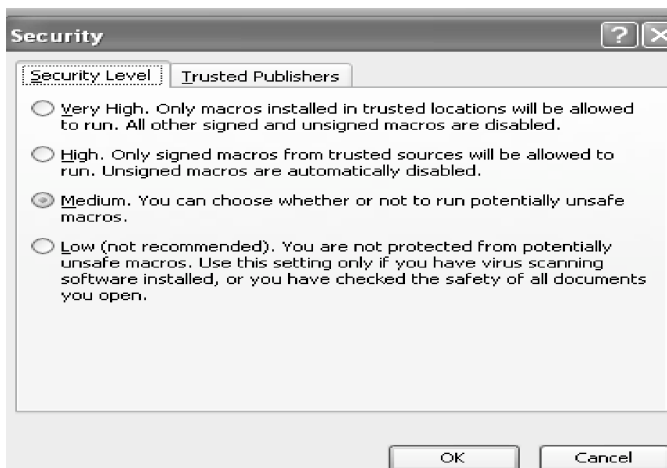
Enabling Macros

In order to enable the macros, your security setting must be set to medium or lower. This is done through the following steps:

1. Open Microsoft Excel.
2. Choose Tools | Options | Security.



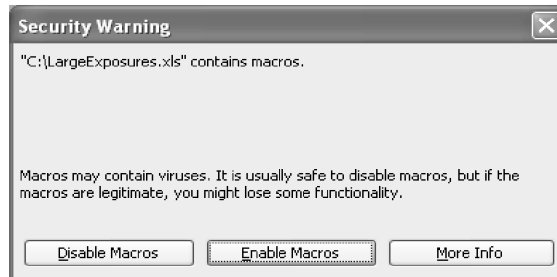
3. Select the macro security button and set the security level to medium, and choose OK.



4. Close Microsoft Excel.

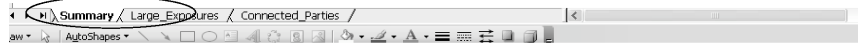
Opening the Excel Workbook File

1. Double click the **LargeExposures.xls** file to open the spreadsheet.
2. When the file is opened, a dialogue box similar to the one below may appear depending on your security settings. Select **Enable Macros** to continue opening the spreadsheet.



The "Exposures" toolbar will be displayed once the workbook is opened.

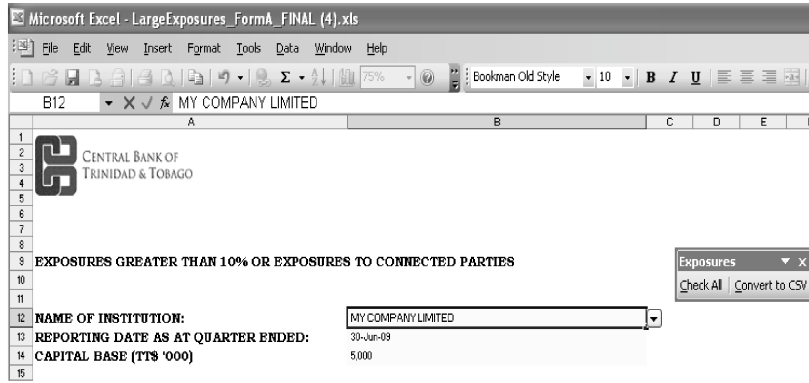
3. Ensure that the "**Summary**" tab of the spreadsheet is selected.



4. The following **must** be done:
 - a. Each institution is required to select their institution's name from the drop-down list in cell **B12**.
 - b. The reporting date should be entered in cell **B13**.
 - c. The capital base¹ of each institution should be placed in cell **B14**.

¹ See definition of "Capital Base" on page 12.

An example is shown below:



When entering the reporting date please use the following format: **dd-mmm-yy** (for example 31-Mar-2009).

5. Credit exposures to persons other than connected parties which are 10% or more of the licensee's capital base should be entered in the **Large Exposures** worksheet. All fields on each row are mandatory except for the "Exposure as a % of Capital" field which is automatically calculated. Please note the following:
 - a. The institution's name, reporting date and capital amount **should not** be entered in this sheet as it is updated automatically, based on the previously entered information in the Summary worksheet.
 - b. Each institution is required to enter the name of the borrower/related party group and the name of the counterparty in the respective columns. Please note that if the counterparty does not belong to a group then the name of the licensee completing the form should be placed in the "Name of Borrower Group/ Related Party Group" column.
 - c. The following fields contain drop-down boxes from which a licensee must choose an item:
 - Counterparty Sector
 - Exposure Type
 - Currency
 - Status of Facility
 - d. Finally, the exposure amount should be entered in column F.
 - e. No data should be entered in Column H - 'Exposure as a % of capital'.

It is imperative that licensees be consistent when entering the names of counterparties and/or borrower groups and/or related party groups throughout the form.

For example, if a licensee reports an exposure to "XYZ Limited" then this nomenclature must be used consistently in field A throughout the reporting form and other variations such as "xyz Ltd" must not be used.

An example is provided below:

Microsoft Excel - REVISED (October 2009) LargeExposures.xls

File Edit View Insert Format Tools Data Window Help

Bookman Old Style 11 B U

A17 XYZ Limited

CENTRAL BANK OF TRINIDAD & TOBAGO

CREDIT EXPOSURES GREATER THAN 10% OF CAPITAL (SECTION 79(L), FIA 2008)

NAME OF INSTITUTION: MY COMPANY
 DATE: 30-Jun-09
 CAPITAL (TTS '000): 5,000

NAME OF BORROWER GROUP/RELATED PARTY GROUP	NAME OF COUNTERPARTY	COUNTERPARTY SECTOR	EXPOSURE TYPE
XYZ Limited	Company X	Distribution	Loans
Electric and Water Company Group	Electric Company	Electricity & Water	Letters of Credit
ABD Construction	ABD Drilling	Construction	Guarantees
XYZ Limited	Company Y	Distribution	Mortgage loans
		Please select Sector	Please select type

Exposures to Connected Parties and Connected Party Groups Greater than 10% of Capital Base

Licensees are required to report separately, credit exposures to connected parties and connected party groups which are 10 % or more of capital base. This data will be entered in the **Connected_Parties** worksheet.

The institution's name, reporting date and capital amount **should not** be entered in this sheet as it is updated automatically based on the previously entered information in the Summary worksheet.

For all connected party exposures that are 10% or more of the capital base, all of the fields on each row are mandatory, except for the "Exposure as a % of Capital" field, which is automatically calculated. Please note the following:

- a. Each institution is required to enter the name of the connected party and connected party group. Please note that if the connected party does not belong to a group then the name of the licensee completing the form should be placed in the "Name of Connected Party Group" column.

It is imperative that licensees be consistent when entering the spelling of the names of connected parties and connected party groups throughout the form.

- b. The following fields contain drop-down boxes from which a licensee must choose an item:
 - Connected party sector
 - Relationship
 - Exposure Type
 - Currency
 - Status of Facility
- c. Finally, the exposure amount should be entered in column H.
- d. No data should be entered in-
 - Column I – 'Exposure as a % of capital',
 - Column J – 'Name of Group'
 - Column K – 'Total Exposure to Group'
 - Column L – 'Total Exposure as % of Capital'

An example is shown on the following page:

Microsoft Excel - LargeExposures_FormA_FINAL (4).xls

File Edit View Insert Format Tools Data Window Help

Type a question for help

Bookman Old Style 11 B I U

F36 Please select

1

2

3

4

5 EXPOSURES TO CONNECTED PARTIES AND PARTY GROUPS

6

7

8 NAME OF INSTITUTION MY COMPANY LIMITED

9 REPORTING DATE 30-Jun-09

10 CAPITAL (TT\$ '000) 5,000

11

12

13

14	NAME OF CONNECTED PARTY GROUP	NAME OF CONNECTED PARTY	CONNECTED PARTY'S SECTOR	RELATIONSHIP	EXPOSURE TYPE	CURRENCY	STATUS OF FACILITY	EXPOSURE (TT\$'000)
15	Brand	Mr. Joe Smith	Distribution	Relative of director or officer	Bonds	TTD	Current	120
16	My Company Limited	Company X limited	Hotel and Restaurant	Affiliate	Letters of Credit	TTD	In arrears	550
17			Please select Sector	Please select relationship	Please select type	Please select	Please select	

Exposures

Check All Convert to CSV

Verification and Printing of Worksheet

When all the data has been entered and properly verified, select the 'Check All' button located in the exposures toolbar. This ensures that all mandatory fields have been completed and that the appropriate information is entered in the cells. If there is invalid or missing data, a message box will indicate the type of error and the relevant cell will be highlighted.

Printing of the document should take place prior to conversion to a CSV file.

The document should be formatted in the order that the headings appear on each page of the document. **The printed document must bear the stamp of the institution as well as the signature of the Authorised Official.**

This printed document should then be sent to-

The Inspector of Financial Institutions,
 Central Bank of Trinidad and Tobago,
 Eric Williams Financial Complex,
 Independence Square,
 Port of Spain

Please note that where an institution's credit exposures to a counterparty, borrower or related party group, connected party or connected party group are less than 10% of its capital base the institution must submit a letter to the Inspector of Financial Institutions advising of same.

Converting to a CSV² file

Convert the document to CSV by selecting the 'Convert to CSV' button on the customised exposures toolbar. Upon conversion from an Excel file to a CSV file, both the new CSV file and the original excel spreadsheet will be automatically saved in the directory C:\Exposures on the C: drive. Both the CSV file name and the original excel spreadsheet are comprised of the reporting form's name code (e.g., CB105), the institution's code, a date stamp extracted from the date field located at the top of the worksheet and their unique file extension (e.g., .inv and.xls). In order to keep a backup of each month's submission, the correct date must be entered on the worksheet. Windows Explorer or any other file manager may be used to copy this file from the C: drive to any other media type. This file should be emailed to credit_exposures@central-bank.org.tt using Pretty Good Privacy (pgp).

² A CSV file is a text file that has a specific format which allows for the saving of textual information/data in an organized fashion.

Definitions

Borrower Group includes -

- (a) a family group comprising an individual and his spouse, parents, children, brothers or sisters where each member of the group is substantially dependent upon the same income sources;
- (b) a company in which the family group indicated in paragraph (a) has a controlling interest;
- (c) a company in which the family group indicated in paragraph (a) has a significant interest;
- (d) a group of companies which has a common significant shareholder;
- (e) a group of companies which has a common controlling interest;
- (f) a group of persons in which the credit worthiness, ability to generate funds or the future viability of each, depends on one or other members of the group;
- (g) a group of persons in which one member has power directly or indirectly to control the other members;
- (h) two or more borrowers, whether individuals, companies or unincorporated bodies, holding credit exposures from the same financial institution and any of its subsidiaries, whether on a joint or separate basis, who, in the opinion of the Inspector, are interrelated through common ownership, control or management; and
- (i) any other group of persons whose relationship with each other is such that it may, in the opinion of the Central Bank, lead to a conflict of interest or other regulatory risk.

Capital Base

means the total of paid-up share capital, statutory reserve fund, share premium account, retained earnings, and any other capital account approved by the Central Bank.

Connected Party

- (1) For the purposes of the Act, a person is a connected party of a licensee where the person is –

-
- (a) a financial holding company, holding company, controlling shareholder or significant shareholder of the licensee;
- (b) a person who holds ten per cent or more of any class of shares of the licensee or of a person referred to in paragraph (a);
- (c) an affiliate of the licensee;
- (d) an affiliate of a person referred to in paragraph (a);
- (e) a director or officer of the licensee or of a person referred to in paragraph (a);
- (f) a relative of a director or officer of the licensee; and
- (g) a company or unincorporated body that is controlled by a person referred to in paragraphs (e) and (f).
- Connected Party Group group (2) For the purposes of the Act, a "connected party of a licensee" means -
- (a) in the case where a connected party is a company referred to in subsection (1)(a),³ -
- (i) the connected party;
- (ii) a connected party who is an affiliate of the connected party referred to in subparagraph (i), where applicable; and
- (iii) a connected party that is an unincorporated body controlled by any connected party referred to in subparagraphs (i) and (ii);
- (b) in the case where the connected party is a director or officer referred to in paragraph 1(e),⁴ -
- (i) the connected party;
- (ii) a connected party who is a relative of the connected party referred to in subparagraph (i); and
- (iii) a connected party that is a company or unincorporated body controlled by any connected party referred to in subparagraphs (i) and (ii).
- (3) For the purposes of the Act, in addition to the connected parties referred to in subsection (1) and the connected party groups referred to in

³ Section 1(a) refers to Section 3(1)(a) in the FIA 2008.

⁴ Section 1(e) refers to Section 3(1)(e) in the FIA 2008.

		subsection (2), the Inspector may determine that any other person is a connected party of a licensee or that any other group of persons is a connected party group of a licensee, where in the opinion of the Inspector, their relationship may create a conflict of interest or may pose regulatory risk.
Counterparty		for the purpose of measuring a credit exposure means the borrower or customer, the person guaranteed, the issuer of a security in the case of an investment in a security, or the party with whom the contract is made or obligor in the case of a derivative contract.
Large Exposure		means the aggregate of all credit exposures to a person or a borrower group, which amounts to twenty-five percent or more of the capital base or assigned capital of a licensee.
Related Group means	(a)	two or more companies with the same controlling shareholder or holding company;
	(b)	a company in which any of the companies referred to in paragraph (a) has a significant shareholding;
	(c)	the direct and indirect subsidiaries of the companies referred to in paragraph (a);
	(d)	a company in which any of the companies referred to in paragraph (c) has a significant shareholding; and
	(e)	the controlling shareholder or holding company referred to in paragraph (a).

Dated this day of , 2009.

J. JOHN
Deputy Governor
Central Bank of Trinidad and Tobago