

## INTEGRATED FINANCIAL SECTOR SUPERVISION

(TC-00-01-003)

### EXECUTIVE SUMMARY

**Executing agency:** Central Bank of Trinidad and Tobago (CBTT)

**Beneficiaries:** The operation's beneficiaries will be members of the financial community e.g. banks and insurance companies who would benefit from a more even playing field and market participants would have more confidence in a system that is more transparent and operates according to international best practices. In addition, as the financial sector becomes more competitive consumers will benefit from better financial services.

<b>Amount and source:</b>	Modality: Grant		TC Facility
	MIF:	US\$	1,186,000
	Local counterpart funding:	US\$	1,111,000
	Total:	US\$	2,297,000
	Execution Period:		18 months
	Disbursement Period:		24 months

**Objectives:** The overall objective is to promote a sound and stable financial market through integration of supervision of insurance companies and pension plans with that of banking institutions.

The specific objectives are: (i) support modernization of legal and regulatory framework for the creation of a new integrated supervisory entity for banking, insurance and pension sector; (ii) develop and implement an efficient organizational structure of the new supervisory entity which is supported by a sound strategy and trained personnel; (iii) strengthen the operational framework - supervision process by developing a risk based approach, particularly for insurance companies and pension funds (including bringing supervision practices closer to compliance with international standards); (iv) conduct diagnostics of the insurance and pension industry to determine where weaknesses lie; and (v) improve information technology – data management for the integrated entity.

**Special  
contractual  
conditions:**

Prior to financing training activities with resources from this TC, the CBTT will have submitted evidence that key positions in insurance and pension supervision, previously agreed by the Bank, have been filled.. (Refer to paragraph 9.1)

Consultancy agreements between the CBTT and the consultants and/or firm carrying out the work will include a clause to provide access to confidential information, including relevant inspection materials. The Bank will review consultancy contracts prior to signature for no objection. (Refer to paragraph 9.2)

**Exceptions to  
Bank policy:**

None.

## **I. COUNTRY AND PROJECT ELIGIBILITY**

- 1.1 The MIF Donor's Committee declared Trinidad & Tobago eligible for all forms of MIF financing on November 30, 1993 based on a memorandum of country eligibility prepared by the Bank.
- 1.2 The financing of this project for strengthening financial sector supervision is consistent with the MIF objective (Facility I) of encouraging countries to adopt development strategies based on sound economic policies aimed at promoting greater private investment. The operation will benefit private enterprises and consumers that operate in the financial sector in Trinidad & Tobago and it will support more effective regulation in a rapidly changing financial sector. The project is also consistent with the Bank's country and financial market strategy aimed at encouraging the creation of stable macroeconomic conditions, supportive legal and regulatory environments, the adoption of financial standards, and the development of adequate institutional capabilities.

## **II. BACKGROUND**

### **A. Frame of reference**

- 2.1 Globalization of financial markets and increased competition among different types of financial institutions is creating serious challenges for supervisors and regulators around the world. The changing financial landscape is now characterized by a blurring of the lines of demarcation between classes of business, by the growth of financial conglomerates, by the liberalization of services, by uneven playing fields in terms of regulation, and the resulting fears of regulatory arbitrage and increased systemic risk.
- 2.2 In response to the above, countries are rethinking their supervisory framework. Financial supervision historically has been mostly organized around specialist agencies for the banking, securities, and insurance sectors. However, in the last few years a number of countries have moved to integrate these different supervisory functions into a single agency. These countries include Australia; United Kingdom, Canada, Norway, Denmark and Sweden. In addition, because of the recent Asian financial crisis, Korea and Thailand are moving towards an integrated regulator model. It is important to note that while the question of an "integrated regulator" has been debated over the past few years, Norway, Denmark, and Sweden have adopted integrated models since the mid 1980s. This is mainly because of the perceived benefits of obtaining economies of scale when there are scarce regulatory resources in a comparatively small, highly concentrated financial system in which financial conglomerate groups predominate.

- 2.3 In this context, authorities in T&T have rightfully directed their attention to the question of an integrated regulator because of the emergence of holding company structures, product diversification, and cross-border expansion in the financial sector in the country. In addition, the authorities realize the changing risk characteristics and complexity of financial firms due to financial innovation.

**B. Financial sector and current supervisory regime of Trinidad and Tobago**

- 2.4 *Financial Sector:* Currently, there are six commercial banks operating in the financial sector. Until mid 1998 only one wholly-owned foreign bank, Citibank, was part of the banking landscape. Inter-Commercial Bank which commenced operations in T&T during mid 1998 is the other foreign owned bank and it is associated with one of the larger industrial enterprises in the country.
- 2.5 After commercial banks, the largest group of financial institutions, in terms of assets, are self-administered pension funds, life insurance companies and trust and mortgage finance companies. There are ten finance companies and merchant banks that provide long-term credit and a range of financial services. The insurance sector includes 8 life and health insurance companies, 20 general (property and casualty) companies and 7 composite (both life and general) companies. In addition, there are approximately 210 registered pension plans.
- 2.6 *Supervisory Regime:* Currently there are four supervisory bodies involved in the supervision of financial institutions in T&T: (i) the Bank Inspection Department within the CBTT; (ii) the Commissioner for Cooperative Development within the Ministry of Labour and Cooperatives, (iii) the Supervisor of Insurance (Insurance and Pension) within the Ministry of Finance; and (iv) the Securities and Exchange Commission (a legally separate entity). Refer to Annex IV for additional background information on the above entities and their related IDB projects in execution.
- 2.7 The Office of the Supervisor of Insurance (OSI) is considered weak. They do not have adequate human or financial resources to supervise the sector. Furthermore, legal powers are inadequate and not effectively enforced. Solvency regulation is also very weak. Therefore this project will include strengthening the supervision of insurance companies and pension funds. (Pension Supervision will be done within the context of on-going efforts in pension fund reform in T&T)

**C. Action plan of government of Trinidad and Tobago**

- 2.8 In early 1999, the CBTT commissioned a diagnostic study to explore the possibility of integrating the supervision of financial institutions in T&T. The study found that developments in the domestic financial system were replicating those of more sophisticated markets. One such example was the growing affiliation between banks and insurance companies. In response to the changes in the financial sector, the Government intends to establish a single regulatory agency within the CBTT, under the responsibility of the Bank Inspection

Department. This intention was recently formalized by the Government through a Cabinet Decision to proceed with the integration through a series of stages. Accordingly, a new supervisory regime will take effect January 1, 2001. Consultants, in the field of insurance supervision, financed by the CBTT with additional support from the IDB and World Bank, explored various proposals and agreed that a graduated approach toward integration was the preferred option for T&T, given the experiences of more developed countries. The IDB discussed with the authorities the benefits of moving directly to a "super-regulator" approach, that is combining the supervision of banking, insurance/pension and securities. However, given the political and logistical issues associated with this option, the graduated approach was agreed upon.

- 2.9 Accordingly, the following 3-Phase approach was considered appropriate in dealing with the process. **Phase 1:** Supervision of insurance companies and pension plans will be integrated with that of banking institutions under the authority of the existing Bank Inspection Department in the CBTT. Legislation for mutual fund regulation will be drafted and systems should be established for cooperation and information sharing with the SEC. (Cooperation with SEC is particularly important as it relates to the supervision of mutual funds and financial intermediation issues) **Phase 2:** During Phase 2 consideration should also be given to bringing all other financial institutions such as credit unions, building societies, the Home Mortgage Bank and the Trinidad and Tobago Mortgage Finance Company within the realm of supervised institutions under the Bank Inspection Department of the CBTT or such other autonomous body. **Phase 3:** Consideration will be given to determine whether the SEC should be fully integrated with the supervisory body, which may be independent of the CBTT. At this time the question of supervision and regulation of mutual fund industry will be strengthened. **MIF funds will be utilized only for the first phase of the integration process.** IF Phase 1 is completed without the completion of Phase 2 or 3, there will still be a net and important gain in the development of the financial sector.

#### **D. Compatibility**

- 2.10 *Compatibility with existing MIF Project:* This project will add value to the existing MIF project<sup>1</sup> in that it will provide an overall supervisory framework and risk assessment methodology for all types of financial institutions, particularly insurance companies and pension plans which represent a significant portion of the financial sector. Furthermore, it will provide a level of consistency and uniformity in approach toward supervision policy. This project is also critical to addressing regulatory gaps that exist given the uneven playing field in areas of supervision. Since the CBTT is the executing agency both for this project and for the existing MIF bank supervision project it will ensure that coordination and consistency in tasks takes place.

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<sup>1</sup> MIF-Non-reimbursable Technical Cooperation to strengthen Bank Supervision (TC-98-02-332)

### **III. PROJECT OBJECTIVES AND BASIC COMPONENTS**

#### **A. Projects objectives**

- 3.1 The overall objective is to promote a sound and stable financial market through integration of supervision of insurance companies and pension plans with that of banking institutions.
- 3.2 The specific objectives are: (i) support modernization of legal and regulatory framework for the creation of a new integrated supervisory entity for banking, insurance and pension sector; (ii) develop and implement an efficient organizational structure of the new supervisory entity which is supported by a sound strategy and trained personnel; (iii) strengthen the operational framework - supervision process by developing a risk based approach, particularly for insurance companies and pension funds (including bringing supervision practices closer to compliance with international standards); (iv) conduct diagnostics of the insurance and pension industry to determine where weaknesses lie; and (v) improve information technology – data management for the integrated entity.
- 3.3 To achieve the above-referenced objectives, the project comprises the following 5 components during 18 months of execution.

#### **B. Basic components**

- 1. **Component 1: Legal and Regulatory Framework** (MIF: US\$90,000; Counterpart: US\$60,000; Total cost US\$150,000)
- 3.4 Through this component technical assistance will be provided to the authorities in reviewing and making any final changes to the needed legislation to integrate supervision of insurance companies and pension plans under the authority of the existing Bank Inspection Department in the CBTT.
- 3.5 For the first three months, international legal consultants will be hired to review the proposed amendments to the Financial Institution Act of 1993 and to provide assistance in developing the legal framework for the new supervisory regime to take effect January 2001. The legal consultants will draft amendments required to place authority for the supervision of insurance companies with the CBTT and draft amendments to the rules applicable to pension plans.
- 3.6 The legal consultants will also need to consider revising legislation for the regulation of holding companies and provide assistance in developing all the necessary regulations and other instruments to give effect to the new laws.

**2. Component 2: Integration: Strategy, Organization and Resources**  
(MIF: US\$220,000; Counterpart: US\$0; Total cost US\$220,000)

- 3.7 With the use of international consultants, this component is intended to provide assistance in the organizational aspects of the new integrated agency, making sure of implementing an effective and flexible structure. This assistance includes re-definition of strategic goals and objectives of the new entity, identifying and addressing human resources issues such as communication, staffing levels and specialist needs e.g. actuarial skills, redundancies, differentials in salary ranges between the integrating agencies, different unions and career enrichment programs. Consultants also will provide assistance in how to address issues related to market conduct, public awareness and complaints within the organizational framework. Specific recommendations for improving the budgeting/funding process of supervision will also be provided.

**3. Component 3: Operational Framework and Training** (MIF: US\$345,000; Counterpart: US\$0; Total cost US\$345,000)

- 3.8 This component will finance the development of a new supervisory manual for the new integrated supervision entity. International consultants will be hired to develop the new policy manual that will emphasize a uniform risk assessment framework. The consultants will also develop an examination program for insurance and pension supervision including examination procedures for financial conglomerates, prudential reporting requirements, and the development of a structured training program in insurance/pension supervision techniques to ensure the establishment of an effective and sustainable supervisory process. A key part of sustainability will include cross-training initiatives, both on-the-job and classroom training between the insurance and banking supervisory staff. The training program conducted under this component will be structured based upon the results of the skill assessment performed in Component 2: Organization and Resources. Training activities will begin once key positions for insurance and pension supervision are filled.

**4. Component 4: Insurance Sector and Pension Fund Reviews** (MIF: US\$320,000; Counterpart: US\$420,000; Total cost US\$740,000)

- 3.9 Under this component, Insurance and pension specialists will conduct diagnostic reviews of selected insurance companies and pension funds within the first three months of the project. Given that the extent of weaknesses in either the insurance or pension sectors is currently unknown, a contingent account, funded by the counterpart, was included in the budget in anticipation of additional reviews. This project does not include financing for the recapitalization of insolvent or bankrupt companies.
- 3.10 Diagnostic of insurance companies. To carry out the reviews, consultants will first develop a methodology to select a sample based on relative criteria, including risk to system. Consultants will develop valuation, reserving and surplus requirements

in line with international standards, then initiate dialogue between industry, professional bodies and the supervisory departments. During the review process, the consultants will advise supervisory staff in devising rehabilitation or resolution strategies including the introduction of an industry-wide compensation scheme. In addition, the consultants will determine the supervisory concerns inherent in the relationship between insurance companies and insurance intermediaries such as brokers, adjusters and agents.

- 3.11 Diagnostic of Pension Funds. Consultants will be hired to conduct diagnostics of selected pension plans and make recommendations for improvements in light of findings and efforts in pension reform. Consultants will also develop a methodology to select a sample of the 210 pension funds.

**5. Component 5: Information Technology (MIF: US\$0; Counterpart US\$30,000; Total cost US\$30,000)**

- 3.12 Given the new organizational structure's mandate for carrying out supervision, information technology should be upgraded. Under this component, additional software and hardware of managing effective supervision will be purchased, based on the identification of new areas to be addressed under the new supervision regime. In addition, new data management requirements will also be stipulated. Enhancements to IT and MIS, including the purchase of additional software and hardware will be financed by counterpart funds.

**IV. EXECUTION, BENEFICIARIES AND PROJECT READINESS**

**A. Project execution**

- 4.1 The project will be executed by the CBTT. It has a strong reputation with a highly professional staff and has taken the initiative in moving forward with integrating the supervision of insurance and banking. In order to implement the project, a Steering Committee has been established to coordinate the work and a Project Committee will be created to direct the day-to-day activities. The Steering Committee is a high-level Committee, chaired by the Governor of the CBTT and comprising officials of the Ministry of Finance, Planning and Development, the CBTT and a Project Manager. An international consulting firm will be hired to conduct the majority of tasks. The disbursement of funds and the purchase of goods and services will be done in accordance with the Bank's policy
- 4.2 The consulting firm will provide a resident Project Manager, experienced in insurance supervision and who has worked for an integrated supervisory agency. The Project Manager will head the Project Committee as well as any subgroups needed to perform the detailed tasks. The entire process will include working closely with local counterparts in all capacities in order that the skills transfer process will begin at the earliest stages.



**B. Project readiness**

- 4.3 The CBTT developed a strategic paper outlining the major phases of the integration program<sup>2</sup>. The Bank has been actively involved in this process and has provided extensive comments on the strategic paper. From this strategic paper, the CBTT developed a project timeline with a schedule of activities to be completed. On a recent mission to T&T the IDB staff provided feedback and held active discussions with the CBTT on the integration plan and timeline. Draft terms of reference for the consulting firm have been prepared and agreed to and are provided in Annex III.

**C. Beneficiaries**

- 4.4 The operation's beneficiaries will be members of the financial community e.g. banks and insurance companies who would benefit from a more even playing field and market participants who would have more confidence in a system that is more transparent and operates according to international best practices. In addition, as the financial sector becomes more competitive consumers will benefit from better financial services.
- 4.5 Other countries in the Caribbean region will also benefit from the lessons learned from Trinidad and Tobago as it goes through the integration process. Given the sector size and resource constraints in the Caribbean region similar integrated models will likely be put into place in the near future. It has been agreed with CBTT that the authorities will organize a conference or seminar after project completion to communicate to the region the lessons learned during the integration process.

**D. Environment and a Social Impact (CESI)**

- 4.6 There are no environmental and social impacts associated with this project. The Donors Memorandum was reviewed by the Committee on Environment and Social Impact (Meeting TRG 13-00) on April 7, 2000.

**V. COST AND FINANCING OF THE PROJECT**

**A. Budget and source of financing**

- 5.1 The following table presents the 18 month project budget (Phase 1), divided between MIF (52%) and CBTT (48%), 80% of which is cash contributions and

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<sup>2</sup> The strategic paper was prepared by Richard Kellman, Consultant to the Central Bank.

20% in kind contributions. The total costs are presented below and a detailed budget is provided in Annex II. MIF funding would be principally used for the procurement of specialized international consultant services. Counterpart funding would be utilized for a range of costs including, contracting national consultant services, providing office space and purchasing IT equipment.

**Table 5.1**  
**Cost Table (US\$000)**

BASIC COMPONENTS	MIF	CBTT	TOTAL
1. Modernization of Legal/Regulatory Framework	90	60	150
2. Integration: Strategy, Organization, and Human Resources.	220	0	220
3. Operational Framework and Training.	345	0	345
4. Insurance Sector and Pension Fund Reviews.	320	420	740
5. Information Technology	0	30	30
Other Direct Costs:			
Per diem/Travel/Office Space	201	234	435
Project Audit	0	5	5
Evaluation	10	0	10
Contingencies*	0	150	150
IT Equipment.	0	212	212
<b>TOTAL</b>	<b>1,186</b>	<b>1,111</b>	<b>2,297</b>

\* Given that little information is available on the financial condition of insurance companies and pension funds, these contingencies may be needed for further diagnostic work and will depend on initial consultant diagnostic. Even after deducting the contingencies, the counterpart contribution represents 45% of total project costs or 75% of the counterpart in cash contributions.

## **B. Sustainability**

- 5.2 With the use of MIF funds the CBTT will have a supervisory structure staffed with a cadre of professional regulatory staff. Staff will be capable of training new and existing personnel in supervisory techniques, supervising complex financial institutions and keeping abreast of international supervisory practices and adapting them to local conditions as appropriate. Furthermore, the CBTT will be an active leader in the region in promoting sound supervisory practices that are compliant with international standards. After project completion the CBTT will be essentially self-sufficient via licensing fees or similar mechanisms.

## **VI. BENEFITS AND RISKS**

### **A. Benefits**

- 6.1 The proposed operation will improve the effectiveness of financial supervision. The integration of the Bank Inspection Department and the Supervisor of Insurance will facilitate better coordination and consistency across different areas of regulation, and will provide diversified financial groups with better supervision. Increased effectiveness should also be reflected in a lower cost of regulation borne by the regulator and financial institutions. In addition, the operation will help to reduce the deficiencies in the current legal, regulatory and institutional framework that exist in the insurance and pension industries.
- 6.2 Contributing to guidance on world standards for banking (financial) supervision are the Basle Committee's Core Principles for Banking Supervision. In addition, IAIS has published minimum operational standards for the insurance sector. These principles should be in place in order for the supervisor to have the required level of authority and empowerment in order to effectively act to strengthen and ensure the safety and soundness of the financial industry. As these standards have increasingly become the goals and objectives for regulators and supervisors worldwide, these have also evolved as one group of benchmarks against which the marketplace measures the commitment of the government to build and maintain a strong financial system. This project will help strengthen T&T's supervisory oversight and to bring it closer to compliance with these core principles.

### **B. Risks**

- 6.3 The ability to hire and retain qualified personnel to carry out financial sector supervision is a risk to the sustainability of the program. Supervisory capabilities particularly in developing countries are difficult to find and take considerable time to develop. To date turnover problems have not been a serious issue in the CBTT and the CBTT is not constrained by public servant pay scales and can offer competitive salaries to attract and retain qualified people.
- 6.4 While the failure of passage of the necessary laws and amendments needed to strengthen financial sector supervision will inhibit certain legal actions it will not impair the analysis and identification of weak financial institutions that will be done via the strengthening process. It will also not impair the operation's objective of building a qualified and trained supervisory staff. In addition, the Government's commitment to move forward with strengthening financial sector

supervision was demonstrated by a Cabinet decision<sup>3</sup> to proceed with the integration process. It is also important to note that strengthening of processes can begin prior to enactment of legislation. For example, in the United Kingdom the legislation for the integrated entity has yet to be passed, however, the physical integration and training has been in process for the past three years.

- 6.5 Elections are likely to occur in year 2000 and a change in support could effect project execution. However, during the consensus building process all interested parties appear in favor of this new approach towards supervision. Furthermore the Governor of the Central Bank's term is not affected by this election and runs for an additional two years.

## **VII. PROJECT PERFORMANCE CRITERIA/BENCHMARKS AND EVALUATION**

- 7.1 Resources provided under the project will finance the development of a detailed work plan that includes a set of performance indicators and benchmarks. During the first two to three weeks of the project the consulting firm will have developed this work plan with the CBTT. However, initial benchmarks, project outputs and means of verification are provided in the logical framework in Annex I.
- 7.2 As part of the monitoring process, monthly progress reports during the first 3 months and quarterly reports thereafter, will be provided both to the Steering Committee and the IDB. These progress reports will compare performance targets vs. actual deliverables and results achieved. In addition, a completion report after the project is ended will provide a detailed description of the benefits achieved and the lessons learned.
- 7.3 The Bank will select and hire an independent consulting firm to conduct an ex-post evaluation of the project. The Bank will develop with the CBTT the TORs for the firm. The firm will include lessons learned of the integration process. A project audit will be conducted by CBTT in consultation with COF at end of project.

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<sup>3</sup> Project files include a memo from the Permanent Secretary of Ministry of Finance, Planning and Development to the Governor of the Central Bank supporting the gradual approach toward the integration process

7.4 The direct benefits to be achieved from the project include the following:

- Trained staff in insurance and pension supervision techniques that meet international standards;
- An organization functioning as an integrated regulator and examinations of the largest financial groups conducted using multi-disciplined examiners;
- A set of implemented manuals that guide the integrated organization. These manuals will provide the necessary "Risk Assessment Framework" for the supervision of financial institutions;
- An adequate IT database to allow for implementation of consolidated supervision;
- Solvency reviews of the insurance companies and weak institutions identified. Solvency requirements will be in line with international standards
- Pension fund diagnostics will have been conducted and weaknesses addressed. Pension supervision will be considerably strengthened.

#### **VIII. EXCEPTIONS TO POLICIES AND PROCEDURES**

8.1 None

#### **IX. SPECIAL CONTRACTUAL CONDITIONS**

- 9.1 Prior to financing training activities with resources from this TC, the CBTT will have submitted evidence that key positions in insurance and pension supervision, previously agreed by the Bank, have been filled.
- 9.2 Given that the majority of project tasks will be conducted by consultants and/or an international consulting firm, consultancy agreements between the CBTT and the consultants and/or firm carrying out the work will include a clause to provide access to confidential information, including relevant inspection materials. The Bank will review consultancy contracts prior to signature for no objection.

## LOGICAL FRAMEWORK

NARRATIVE SUMMARY	VERIFIABLE INDICATORS BY PROGRAM COMPLETION	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal:</u></p> <p>Establish a stable and well-functioning financial market</p>	<p>A more sound financial services sector measured in terms of improved prudential ratios, enhanced efficiency and lower risk profiles.</p>	<p>Published financial sector performance data.</p>	<p>Sound macroeconomic policies.</p>
<p><u>Objective:</u></p> <p>Strengthen the institutional capacity of the Central Bank as an integrated entity for consolidated financial sector supervision</p>	<p>Risk-focused examination program Closed regulatory gaps Coordinated supervision process</p>	<p>Independent evaluations New legal and regulatory framework New risk-focused policies</p>	<p>Established effective integrated supervision with qualified staff.</p>
<p><u>Inputs (Project Components):</u></p> <p>Legal and Regulatory Framework</p> <p>Integration: Strategy, Organization and Resources</p> <p>Operational Framework and Training for Insurance and Pension Supervision</p> <p>Insurance Sector and Pension Fund Reviews</p>	<p>Amendments to Financial Institutions Act and Insurance Act to (i) formally consolidate supervision entities and (ii) codify needed refinements and Enhancements</p> <p>Strategic plan written, organizational structure in place, and qualified staff hired</p> <p>Policies and procedures in place and training courses and on-the-job training completed</p> <p>Results of diagnostics of selected insurance companies and pension</p>	<p>Gazetted laws Approved regulations</p> <p>Copy of strategic plan, organization chart of integrated supervisory agency, office space allocated, personnel registry</p> <p>Finalized manuals containing framework and evaluations on training courses</p> <p>Diagnostic reports, Decision memoranda on actions to be taken</p>	<p>No political obstacles for passage</p> <p>Continued support for integration Expeditious guidance from Steering Committee.</p>

NARRATIVE SUMMARY	VERIFIABLE INDICATORS BY PROGRAM COMPLETION	MEANS OF VERIFICATION	ASSUMPTIONS
Information Technology	funds. Policy decisions made on actions to be taken  Installation of new hardware and software. Data requirements identified	Records of hardware and software leased/purchased On site visit by COF to verify implementation and utilization.	
<p><u>Activities</u></p> <p><i>Legal &amp; Regulatory Framework</i> Prepare TORs for consulting  Review Financial Institutions Act Review new insurance law Review and amend pension legislation Draft regulations for above laws (following BIS/IAIS guidelines)</p> <p><i>Integration: Strategy, Organization and Resources</i> Establish office in Central Bank Prepare organization structure, functions, job descriptions Develop mission, goals, strategy Identify &amp; hire staff</p> <p><i>Operational Framework and Training for Insurance and Pension Supervision</i> Develop operating policies, procedures, prudential norms, &amp; manuals</p>	<p><u>Products:</u></p> <p>Completed TOR Contract for services</p> <p>Approved budget for hiring additional staff</p>	<p><u>Benchmarks:</u><sup>iv</sup></p> <ul style="list-style-type: none"> <li>➤ Monthly/quarterly progress reports to Steering Committee and IDB</li> <li>➤ Completion report 30 days after project</li> <li>➤ First 2-3 weeks developed a workplan with benchmarks and deliverables</li> <li>➤ By first quarter recommendations to legal/regulatory framework completed</li> <li>➤ By second quarter draft new regulations</li> <li>➤ By forth quarter regulations implemented</li> <li>➤ By first quarter draft organizational structure, strategy and complete skill assessment</li> <li>➤ By second quarter refine structure and strategy</li> <li>➤ By third quarter organization structure implemented</li> <li>➤ By second quarter begin</li> </ul>	<p>Benchmarks, deliverables and timetables to be compared with workplan developed by consulting firm</p>

NARRATIVE SUMMARY	VERIFIABLE INDICATORS BY PROGRAM COMPLETION	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Develop training program, budget and identify trainers. Prepare workplan for insurance &amp; pension supervision evaluations</p> <p><i>Insurance Sector and Pension Fund Reviews</i> Prepare workplan and schedule Hire local auditors<sup>ii</sup> Team training Hold industry workshop</p> <p><i>Information Technology</i><sup>iii</sup> Develop TORs for separate consultancy CBTT Hire consultants Prepare MIS requirements Purchase and install IT system Train staff</p>	<p>Trained supervisors in insurance/pension techniques</p> <p>Course evaluations</p> <p>Completed TOR</p> <p>Contract for services</p> <p>Approved budget for US\$212,000</p>	<p>drafting/testing operational framework</p> <ul style="list-style-type: none"> <li>➤ By second quarter develop integrated training program</li> <li>➤ Quarterly conduct at least 4-6 workshops on insurance and pension supervision</li> <li>➤ By end of project conducted 3-5 full scope exams of complex institutions using new procedures</li> <li>➤ By first quarter insurance and pension fund diagnostics conducted and reports completed</li> <li>➤ By second quarter complete plans on resolution and rehabilitation strategies</li> <li>➤ By second quarter defined data management requirements</li> <li>➤ By third quarter have purchased software/hardware</li> <li>➤ By forth quarter operating with fully integrated data system and trained staff</li> </ul>	

is consulting firm, in conjunction with counterpart staff, will carry out activities 1.2 through 4.4. These activities constitute the components of the terms of reference for the international consulting firm.

Local auditors will consist of Senior Auditors with experience in auditing insurance and pension activities.

Activity #5 will be carried out by a separately hired consulting firm or information specialist.

Detailed Benchmarks are included in Terms of Reference for consulting firm for activities 1.2 through 4.4



**PROPOSED RESOLUTION**

**TRINIDAD AND TOBAGO. NONREIMBURSABLE TECHNICAL COOPERATION  
FOR THE INTEGRATED FINANCIAL SECTOR SUPERVISION**

**The Donors Committee of the Multilateral Investment Fund**

**RESOLVES:**

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Central Bank of Trinidad and Tobago (CBTT), and to take such additional measures as may be pertinent for the execution of the project proposal contained in the Document MIF/AT- \_\_\_\_ with respect to a technical cooperation for the Integrated Financial Sector Supervision.
2. That up to the sum of US\$1,186,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.