

FINANCIAL SYSTEM STABILITY COMMITTEE

STATEMENT ON FINANCIAL STABILITY

In the statement issued in March 2018 on the review of Bank of Jamaica's 2017 Financial Stability Report, the Financial System Stability Committee ("FSSC") noted that positive trends in the macroeconomic environment coupled with the reduction of Government of Jamaica's footprint in domestic debt markets created an opportunity for private sector credit to expand. Optimism focused on these macroeconomic trends has the potential to overshadow a potential build-up of future macro-financial vulnerabilities. Against the background of Government crowding in the private sector through its debt-reduction programme and the associated expansion in credit to households and businesses, the FSSC recommended an increase in Bank of Jamaica's financial stability surveillance of credit markets.

Since the statement, the FSSC has met on three occasions to review Bank of Jamaica's quarterly financial stability assessments. The assessments show that private sector credit continues to expand with strong rates of growth. However, the growth in credit has not so far revealed any evidence of emerging systemic risks as financial institutions have not engaged in any significant increase in their financial leverage. In addition, notwithstanding the steady uptick in private sector debt levels, household and non-financial businesses' overall debt burden is assessed as sustainable.

More broadly, risks to financial system stability remain tempered. Financial entities are well capitalized and other key indicators of financial soundness, such as profitability and liquidity, have remained relatively stable over time. Bank of Jamaica is also taking steps to enhance its surveillance of financial system interconnectedness and its assessments of potential contagion from financial shock.

The FSSC expects to make its next public statement on these and other emerging issues in March 2019. Highlights of Bank of Jamaica's quarterly macro-prudential report are available at <http://boj.org.jm/publications>.

Financial System Stability Committee
24 October 2018

Background:

The FSSC is a statutory committee established under section 34H of the Bank of Jamaica Act, as amended. Its job includes reviewing developments in the financial system and the economic environment, advising on financial stability policy and engaging with stakeholders, and providing oversight of financial stability assessments prepared by BOJ staff.

The financial stability mandate of the Financial System Stability Committee and Bank of Jamaica provides a statutory foundation for the identification, mitigation and control of systemic threats to financial system stability by the assessment of vulnerabilities within the financial system as a whole, as well as those arising from the links between the financial system and developments in other parts of the Jamaican economy and the global economy. Bank of Jamaica, in consultation with the Financial System Stability Committee, is empowered to develop prescriptive rules, standards and codes for financial institutions which specifically address gaps and imbalances that could threaten financial system stability as a whole.

This oversight complements and does not replace the responsibilities and authority of Bank of Jamaica and the Financial Services Commission to supervise and regulate, respectively, the deposit-taking, insurance, securities and pensions industries. Bank of Jamaica and the Financial Services Commission also meet regularly with the Jamaica Deposit Insurance Corporation and the Ministry of Finance on the Financial Regulatory Committee, a statutory committee also established in 2015 to foster timely information-sharing, coordinated policy development and effective crisis management with respect to the financial sector.

The FSSC consists of six *ex officio* members and two members appointed by the Minister of Finance on the recommendation of the Bank of Jamaica governor. The appointed members are Mr. Richard Powell, Pro-Chancellor of the University of Technology and Mr. Karl Wright, former President of Victoria Mutual Building Society. Both were appointed on 30 November 2016 for a term of three years. The *ex officio* members are Bank of Jamaica Governor Brian Wynter (Chair), Deputy Supervisor Maurene Simms, Financial Secretary (Acting) Darlene Morrison, Senior Deputy Governor John Robinson (senior Bank of Jamaica executive responsible for financial stability), Financial Services Commission Executive Director Everton McFarlane, and Jamaica Deposit Insurance Corporation CEO Antoinette McKain.