



05 April 2019

**FINANCIAL SYSTEM STABILITY COMMITTEE ISSUES
STATEMENT ON BANK OF JAMAICA'S 2018 FINANCIAL STABILITY
REPORT**

On the occasion of the publication of Bank of Jamaica's 2018 Financial Stability Report, the Financial System Stability Committee ("FSSC") issued the following statement on 29 March 2019.

"The Financial System Stability Committee ("FSSC") has reviewed the 2018 Financial Stability Report, which will be published by Bank of Jamaica on 29 March 2019. Information presented in the report showed continued deepening of the financial system as measured by total system assets and activity within the payment system. In light of growth in the financial system, entities have demonstrated sound performance similar to previous review periods. Both deposit-taking and non-deposit taking financial entities were well capitalized, supported by sound earnings. Furthermore, Bank of Jamaica's stress tests showed that the Jamaican financial system is resilient to hypothetical but plausible macroeconomic and financial shocks.

Risks to the Jamaican financial system are, however, predominantly characterized by the interconnected nature of the financial system, the relatively large size of a few financial firms and uncertainties stemming from volatility in global financial markets. Recognizing these risks, the FSSC endorses the regulatory strategies being pursued by Bank of Jamaica and the Financial Services Commission to mitigate these exposures and acknowledges the progress made on the financial sector reforms, one of which is the introduction of risk-based consolidated supervision.

Of note is the continued reduction of the Government of Jamaica's footprint in the domestic debt market during the review period. This has resulted in lower concentration risk within the financial system. The reduction in government debt coupled with the accommodative monetary policies implemented over the review period resulted in an increased availability of capital for deployment to non-financial enterprises. The FSSC will continue to review regular financial system stability

assessments and make recommendations to assist in the execution of Bank of Jamaica's financial system stability mandate.

At its meeting on 26 March 2019, the Financial System Stability Committee endorsed the conclusions drawn in the report. The report is available at <http://boj.org.jm/publications>.”

Financial System Stability Committee

Background:

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

The financial stability mandate of the FSSC 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 vulnerabilities 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 FSSC, is empowered to develop prescriptive rules, standards and codes for financial institutions that address specific 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 and the Public Service on the Financial Regulatory Committee, another statutory committee 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 and the Public Service 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 Darlene Morrison, Senior Deputy Governor John Robinson (as the senior Bank of Jamaica executive responsible for financial stability), Financial Services Commission Executive Director Everton McFarlane and Jamaica Deposit Insurance Corporation CEO Antoinette McKain.