

FINANCIAL SYSTEM STABILITY COMMITTEE

STATEMENT ON THE 2017 FINANCIAL STABILITY REPORT

The Financial System Stability Committee has reviewed the 2017 Financial Stability Report, which is being published by Bank of Jamaica on 29 March 2017. The report serves as Bank of Jamaica's primary medium through which its surveillance of financial system risks is communicated. For the review period, the main risk identified in the report is the potential build-up of vulnerabilities that may be created due to optimism associated with the positive outlook on the macroeconomic environment and relative stability in financial markets. The report states for example that continued declining interest rates has the potential for creating more risk taking activity in the search for yields.

In this regard, the report identified that exposures of the financial system to generally riskier asset classes are low but have increased marginally. This is an expected outcome given the reduction of Government of Jamaica's footprint in domestic debt markets. In addition, less debt issuance by the Government of Jamaica has created an opportunity for the expansion of private sector credit. In this context, the FSSC intends to pay more attention to the potential risks associated with rising household and corporate debt. Therefore, it is the Committee's view that suitably anonymized granular loan level data is particularly important for Jamaica's macro-prudential surveillance and as such, the Committee recommends the expansion of Bank of Jamaica's analysis based on its use.

The Committee as well notes the progress made in strengthening the regulatory and supervisory framework for securities dealers, insurance companies and pension funds. The FSC has required securities dealers to conduct and submit stress tests and has developed new measures for monitoring liquidity and interest rate risks of the sector. Bank of Jamaica is also well advanced in implementing risk based supervision and the framework for the supervision of financial holding companies.

At its meeting on 27 March 2017, 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
29 March 2018