

**BEST PRACTICES IN
ASSESSING, REPORTING AND POLICY
MAKING
ON
FINANCIAL STABILITY**

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RISK ASSESSMENT IN AN INTEGRATING
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BEST PRACTICES IN ASSESSING FINANCIAL STABILITY

1. DEPENDENCE ON DATA ADEQUACY

- **TIME SERIES REQUIREMENT**
- **QUALITY OF DATA**
- **TIMELINESS OF DATA**
- **DATA CONSISTENCY**

2. ASSESSING MACRO-ECONOMIC AND MACRO-FINANCIAL RISK

- GLOBAL ECONOMY AND MARKETS**
- DOMESTIC DEPENDENCE**
- DOMESTIC RESILIENCE**
- FUTURE PROSPECTS**

3. PERFORMANCE OF DEPOSIT TAKING INSTITUTIONS

- **ROLE OF FINANCIAL SOUNDNESS INDICATORS**
- **PERFORMANCE OF COMMERCIAL BANKS**
- **PERFORMANCE OF OTHER DTIs**
- **PERFORMANCE OF CREDIT UNIONS**
- **STRESS TESTING**

4. PERFORMANCE OF INSURANCE AND PENSION FUND SECTORS

- ROLE OF FINANCIAL SOUNDNESS INDICATORS**
- PERFORMANCE OF INSURANCE SECTOR**
- PERFORMANCE OF PENSION FUND SECTOR**
- STRESS TESTING**

5. INTERCONNECTEDNESS AND SYSTEMIC RISK

- CRITERIA FOR IDENTIFYING SYSTEMICALLY IMPORTANT INSTITUTIONS**
- CROSS-BORDER ACTIVITY TRENDS**
- CHANGES IN SIZE AND SCOPE OF FINANCIAL CONGLOMERATES**
- INCIDENCE OF INTER-BANK LENDING**
- CONTAGION MATRIX INDICATORS**

6. OTHER FINANCIAL DEVELOPMENTS/ THREATS

- PAYMENT SYSTEMS ARCHITECTURAL CHANGES**
- PUBLIC DEBT OVERHANG**
- OVERALL CORPORATE AND HOUSEHOLD DEBT**
- EQUITY MARKET DEVELOPMENTS**
- FINANCIAL POLICY COMPLIANCE TRENDS**

BEST PRACTICES IN REPORTING ON FINANCIAL STABILITY

1. OPTIMUM REPORTING STRUCTURE

- FOCUS ON MICRO AND MACRO PRUDENTIAL RISK**
- RETAIN BASIC OR CORE STRUCTURE FROM YEAR TO YEAR**
- BI-ANNUAL REPORT IF RESOURCES PERMIT**
- NO NEED FOR CORE TO EXCEED 50 PAGES IN LENGTH**
- EXECUTIVE SUMMARY IN ORDER**

2. NEED FOR REPORT TO BE SELF-CONTAINED

- COMPLETENESS OF COVERAGE OF RELEVANT AREAS**
- NO NEED TO CONSULT ANOTHER DOCUMENT TO GET FULL PICTURE**
- BUT CROSS-REFERENCING IS PERMITTED**
- NEED TO RETAIN COHERENCE AND CONSISTENCY**

3. NEED FOR REPORT TO BE FORWARD LOOKING

- PAST EVENTS AND CURRENT DEVELOPMENTS ARE IMPORTANT**
- BUT THEY MAY NOT BE SUFFICIENT TO INDICATE A TREND**
- NEED TO FACTOR IN OTHER DATA AND INFORMATION**
- FUTURE PROSPECTS A CRITICAL BASIS FOR DECISION MAKING**

4. THE REPORT SHOULD REFLECT EXPLICIT POLICY IMPLICATIONS

- REPORTING SHOULD BE WITH A PURPOSE**
- REPORT MOST BENEFICIAL WITH A POLICY ORIENTATION**
- POLICY IMPLICATIONS APPROPRIATE FOR EACH MAJOR SECTION**
- POLICY RECOMMENDATIONS ADDRESSED TO FINANCIAL AUTHORITIES**
- POLICY COULD ALSO TARGET CORPORATE GOVERNANCE**

**BEST PRACTICES IN POLICY
MAKING ON FINANCIAL
STABILITY**

1. ADEQUACY OF SCOPE

- **COMPREHENSIVE COVERAGE OF SECTORS AND ACTIVITIES**
- **AVOID REGULATORY ARBITRAGE**
- **PROPORTIONALITY OF APPROACH**
- **OPTIMUM MIX OF LEGISLATION, REGULATION AND SUPERVISION**

2. ASSESSING REQUIREMENTS AND SEEKING FEEDBACK

- ASSESSING COMPLIANCE WITH EXISTING MEASURES**
- IDENTIFYING POLICY NEEDS**
- IDENTIFYING POLICY GAPS**
- CONSULTATIONS WITH STAKEHOLDERS**

3. TARGETING VS BROADBRUSH APPROACH

- **SECTOR SPECIFIC NATURE OF APPROACH**
- **NEED FOR LEVEL PLAYING FIELD**
- **OCCASIONS FOR OMNIBUS LEGISLATIVE APPROACH**
- **WHEN ONE SIZE DOES NOT FIT ALL (eg SIFIs)**

4. LEARNING FROM OTHER JURISDICTIONS

- EXCHANGE OF INFORMATION AND KNOW-HOW**
- USEFULNESS OF PEER REVIEW**
- BENEFITING FROM DEVELOPED COUNTRIES' EXPERIENCES**
- RECOGNIZING UNIQUENESS OF LOCAL SITUATION**

5. REGIONAL HARMONIZATION

- **BENEFITS OF A SINGLE FINANCIAL SPACE**
- **REDUCTION OF LEGISLATIVE TRANSACTION COSTS**
- **REDUCTION OF REGULATORY ARBITRAGE**
- **NEED FOR CONSOLIDATED SUPERVISION**

THANK YOU