



Banque de la République d'Haïti

# Financial Stability Monitoring and Control Challenges in Haiti

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# Financial Stability Framework

- Main Risks Assessed
- Key Indicators
- Architecture for Financial Stability Assessment
- Plans for Future Enhancements
- Challenges and Requirements

# Main Risks Assessed

## Macro-systemic risks

- Exchange-rate risk: the high level of dollarization of the banking sector exposes the system to risks related to fluctuations of the exchange rate
- Interest-rate risk: the risks associated with variations of the key interest rate seem very limited. This is in great part due to the profile of the debtors and the conservative practices of Haitian bankers

## Micro-systemic risks

- Credit Risk: Default risk is closely monitored in the Haitian banking sector and is currently at relatively low levels
- Concentration Risk: In general, loans in the banking system have been concentrated in a few key sectors
- Solvency Risk and Liquidity risk: The banking sector is solvable, very liquid and well capitalized

# Key Indicators

**Table 2 - Summary of Key Indicators**

## **Capital Adequacy**

Regulatory Capital to risk-weighted assets

Capital (net worth) to assets

## **Asset Quality and Composition**

NPLs to gross loans

Provisions to gross NPLs

NPLs less provisions to net worth

Credit concentration (by sector)

## **Earnings and profitability**

ROA

ROE

Net interest income to gross interest income

Operating expenses to net profits

Operating expenses to total expenses

## **Liquidity**

Liquid assets to total assets

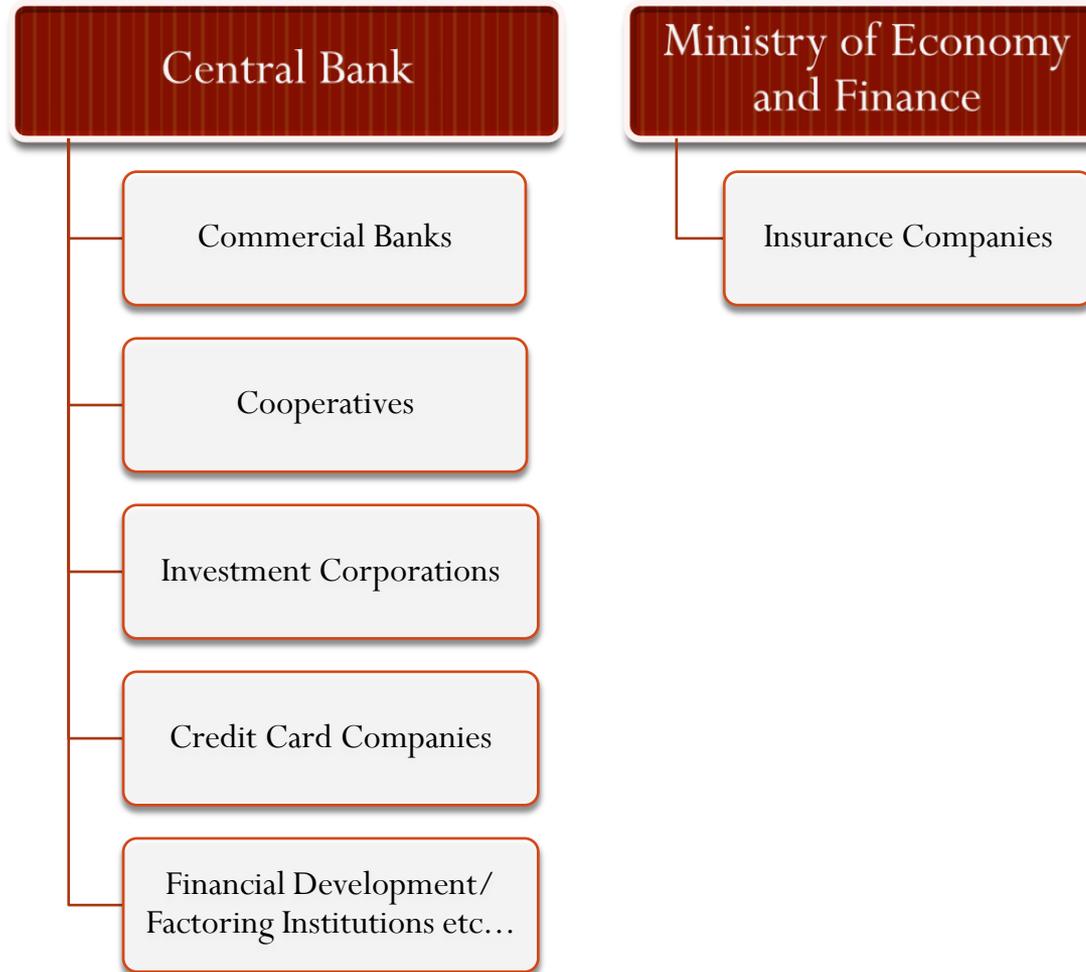
Liquid assets to deposits

## **Exchange-rate risk**

Foreign currency loans to total loans

Net open position to capital

# Financial Stability Architecture



# Financial Stability Architecture

Currently, the task of regulating financial institutions is divided between the Central Bank and the Ministry of Finance.

The Central Bank supervises:

- Commercial Banks, Cooperatives
- New Banking Law enacted in 2012 adds: Investment Corporations, Credit Card Companies, Financial Development Institutions, Factoring Institutions

The Ministry of Finance supervises:

- Insurance Companies

**Microfinance institutions remain unregulated at the moment**

# Future Enhancements

- Initiate the Monitoring of Non-Banking Financial Institutions
- Propose a law to start monitoring the Microfinance Institutions
- Coordinate the supervision of the Insurance Companies with the Ministry of Economy and Finance
- Work towards the establishment of a Deposit Insurance Scheme

# Challenges and Requirements

Comprehensive financial stability architecture would necessitate several requirements. These include but are not be limited to:

- An appropriate legal framework to reinforce the regulatory authorities' power
- An upgraded IT infrastructure/system to allow for timely and accurate data collection on monitored institutions
- Reinforce capacity within the financial stability assessment architecture by ensuring the assignment of qualified and regularly trained staff to the departments or entities involved