




FINANCIAL STABILITY ARCHITECTURE:

BELIZE PROGRESS REPORT

Belize's Financial System (Mar '13)

	Domestic-Owned				Foreign-Owned			
	No. of Institutions	Bz\$'mn	% of total	% of GDP	No. of Institutions	Bz\$'mn	% of total	% of GDP
Domestic Banks					5	2,742.1	52.9	86.8
Offshore Banks					6	1,461.4	28.2	46.3
Credit Unions	11	673.8	13.0	21.3				
Insurance	5	83.3	1.6	2.6	9	138.5	2.7	4.4
Development Banks	1	83.4	1.6	2.6				
Financing Institutions	1	0.002	0	0.1				



Population – 340,000

Per Capita GDP – US\$4,700

Fixed Exchange Rate (Exchange Controls)

High level of Commercial Bank Liquidity

Minimal credit growth

High Level of bank NPLs

Rising level of credit union NPLs



Improvements to the Financial Architecture

- A new Domestic Banks and Financial Institutions Act became effective on 1/1/2013
 - Controls on related party transactions
 - Improved corporate governance
 - Establishment of financial holding companies
 - Introduction of administrative penalties
 - Improved resolution structure




Improvements to the Financial Architecture 'cont.

- Bank Resolution Template almost fully complete.
- Payment Systems bill to be submitted to parliament in first quarter of 2014.
- Credit Bureau bill – 1st qtr 2014.
- Revised Insurance Act – 1st qtr 2014
- Private Pensions Act – 1st qtr 2014



Financial Stability Unit

- In August 2012, a Financial Stability Unit was established staffed by one Bank Supervisor and one Economist. The Unit is tasked with setting up a framework for macroprudential surveillance, conducting quarterly monitoring of FSIs and Stress Tests and preparing financial stability reports.
- Oversight is provided by a committee comprised of the Directors of Research & Financial Sector Supervision and Deputy Governor Research.
- The Unit liaises with the Office of the Supervisor of Insurance for data dissemination and reporting.

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- Financial System Overview – 2012
 - Evaluation of Belize’s National Financial Stability Framework – 2012
 - First Annual Financial Stability Report (2013)
 - External Macro-financial risks (network mapping)
 - FSIs - banks, credit unions and insurance companies
 - Commercial Banks - stress test results
 - Developments in the financial/regulatory infrastructure



Short Term Goals

- Formalization of cooperation/data sharing with non-bank regulators via MOU and confidentiality agreements.
- Extend membership of the Financial Stability Committee to include the FIU Director and Financial Secretary.
- Amend the Central Bank of Belize Act to include financial stability as part of its legal mandate.
- Expand coverage of stress tests to include credit unions and incorporate the effect of institutional inter-linkages and the real sector



Short Term Goals 'cont.

- Drafting and implementation of regulations to address SIFIs.
- Preparation of quarterly financial stability reports for the Financial Stability Committee and Central Bank Board of Director
- Commencement of research aimed at developing an Early Warning System



Challenges

- Financial System (Crisis) Management Plan was submitted to the Ministry of Finance in June 2013.
- A deposit insurance scheme is not yet in place.
- High NPLs.
- The Ashcroft Factor.
- Need for enhancement of policy coordination between the Central Bank and the Ministry of Finance.
- Development of models that are forward looking and that encompass the broad risks of the financial industry.
- Data shortcomings that include inconsistent labour market data and lack of real estate market information.



Conclusion

- Notwithstanding significant resource constraints the Central Bank of Belize has made a firm commitment to the regional effort to develop a framework for macro-prudential surveillance and preparation of financial stability reports. It has been a fruitful initiative as our first FSR identifies systemic vulnerabilities which is the first step necessary for the preparation of an action plan to alleviate these risks to the financial system.

Thank You.



CENTRAL BANK
of BELIZE