



Financial Stability Report 2018



CENTRAL BANK OF
TRINIDAD & TOBAGO

Patrick Solomon, Inspector of Financial Institutions,
Central Bank of Trinidad and Tobago

Launch of *2018 Financial Stability Report*
Central Bank Conference Facilities,
May 28, 2019

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PRESENTATION FLOW

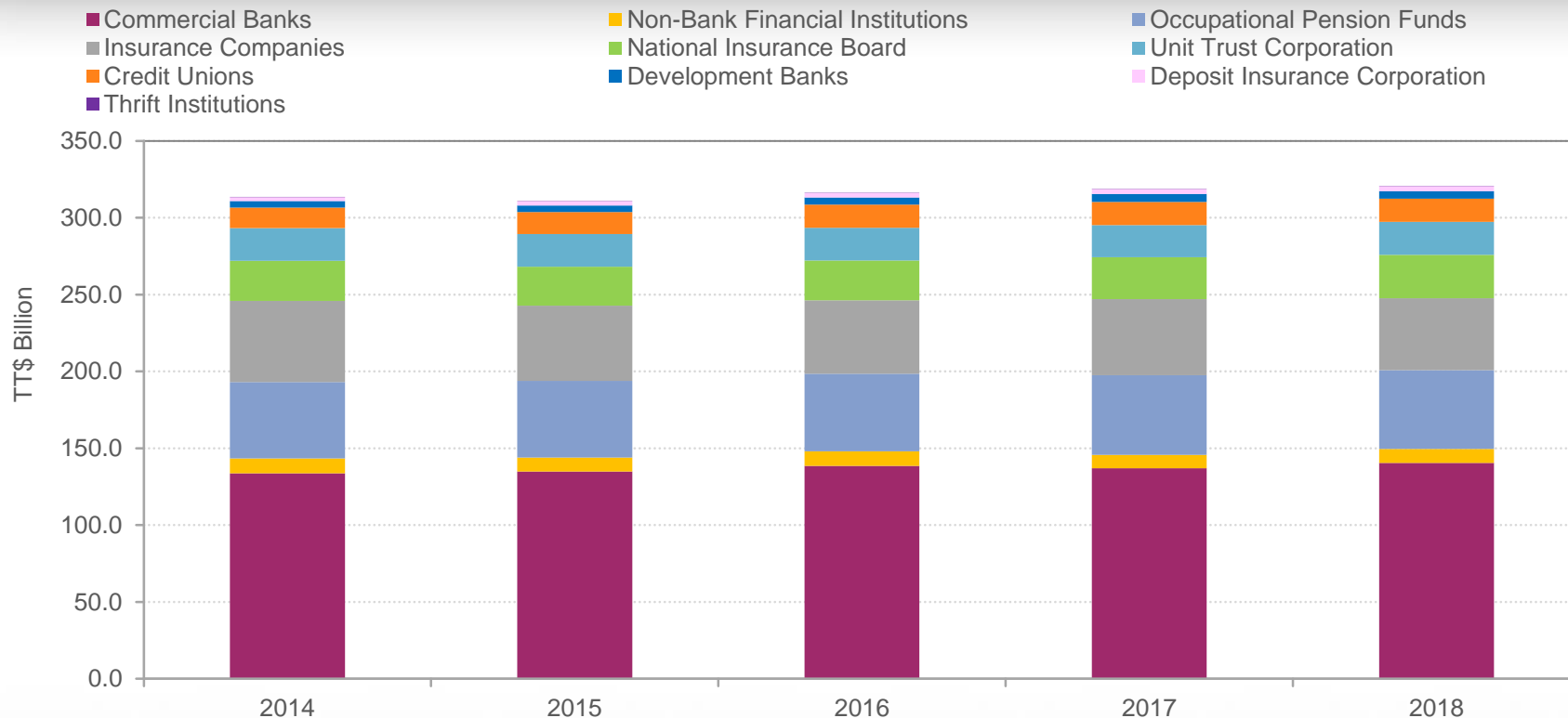


FINANCIAL SECTOR PERFORMANCE REVIEW: 2018



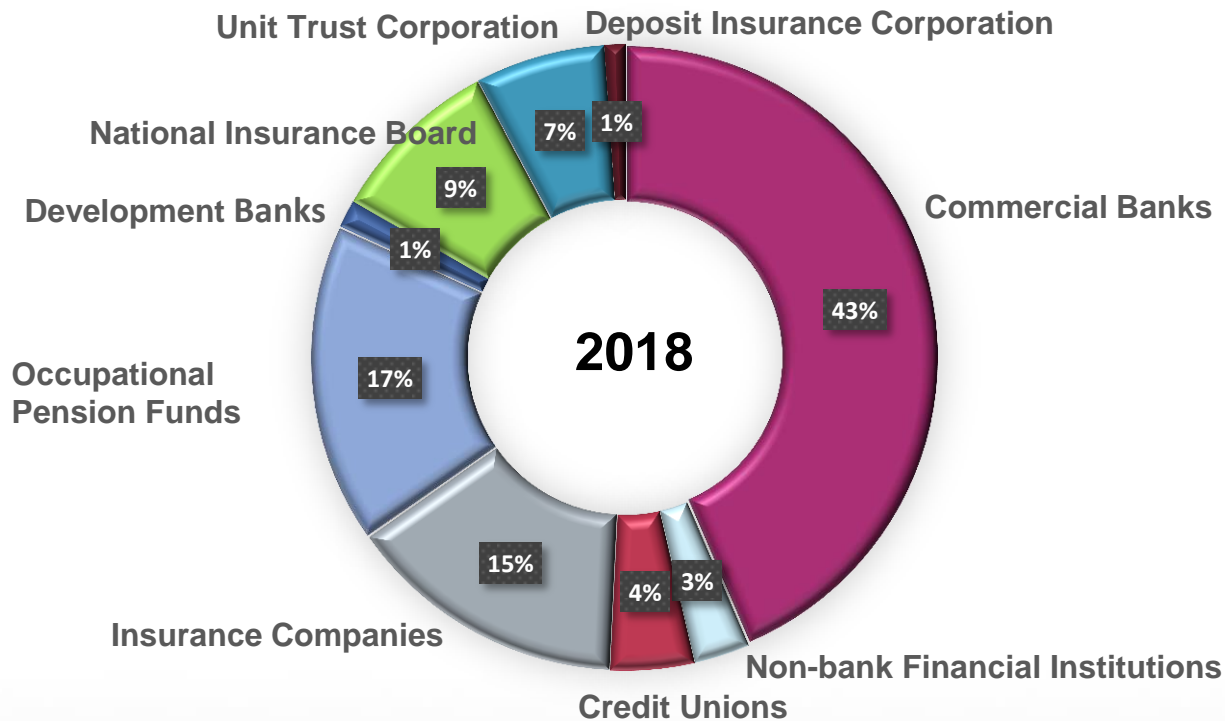


SHARE OF ASSETS IN THE DOMESTIC FINANCIAL SECTOR



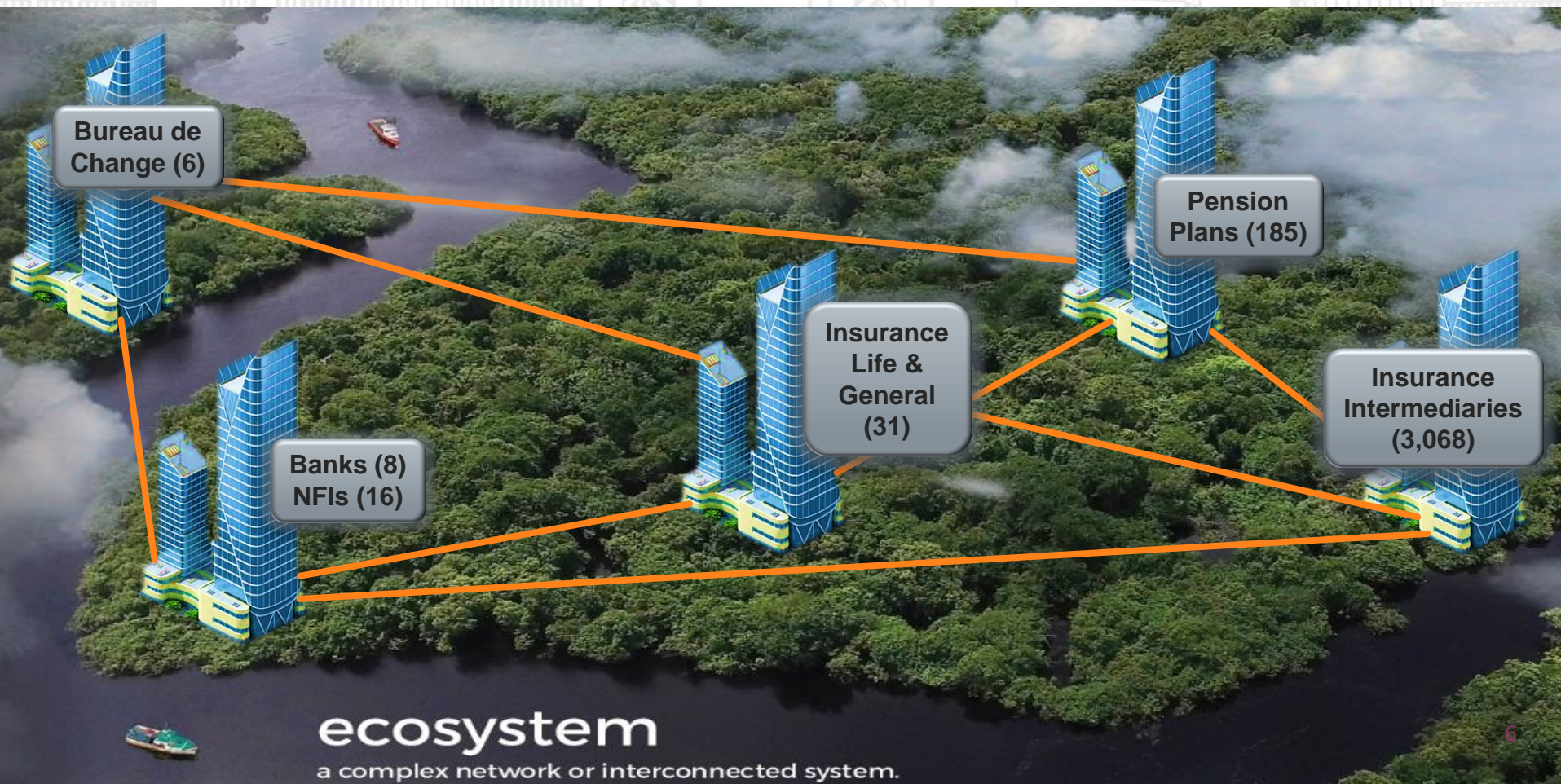


SHARE OF ASSETS IN THE DOMESTIC FINANCIAL SECTOR





SUPERVISED ENTITIES





KEY FINANCIAL SOUNDNESS INDICATORS

Per cent

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
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BANKING SECTOR

Regulatory Capital-to-Risk-Weighted Assets	24.6	24.1	23.8	23.4	23.3
Non-Performing Loan Ratio	4.4	3.7	3.2	3.0	3.1
Return on Equity	12.9	18.2	19.9	19.0	20.1
Liquid Assets-to-Total Assets	25.0	23.1	21.8	19.7	19.1

LIFE INSURANCE SECTOR

Investment Yield	4.8	4.5	4.7	4.7	4.9
Return on Equity	10.6	11.3	15.4	13.8	12.3

NON-LIFE INSURANCE SECTOR

Loss Ratio	44.3	48.6	47.2	55.1	51.3
Investment Income / Net Premium	5.8	5.8	6.1	6.7	7.4

Source: Central Bank of Trinidad and Tobago



KEY FINANCIAL SOUNDNESS INDICATORS

Dec-14

Dec-15

Dec-16

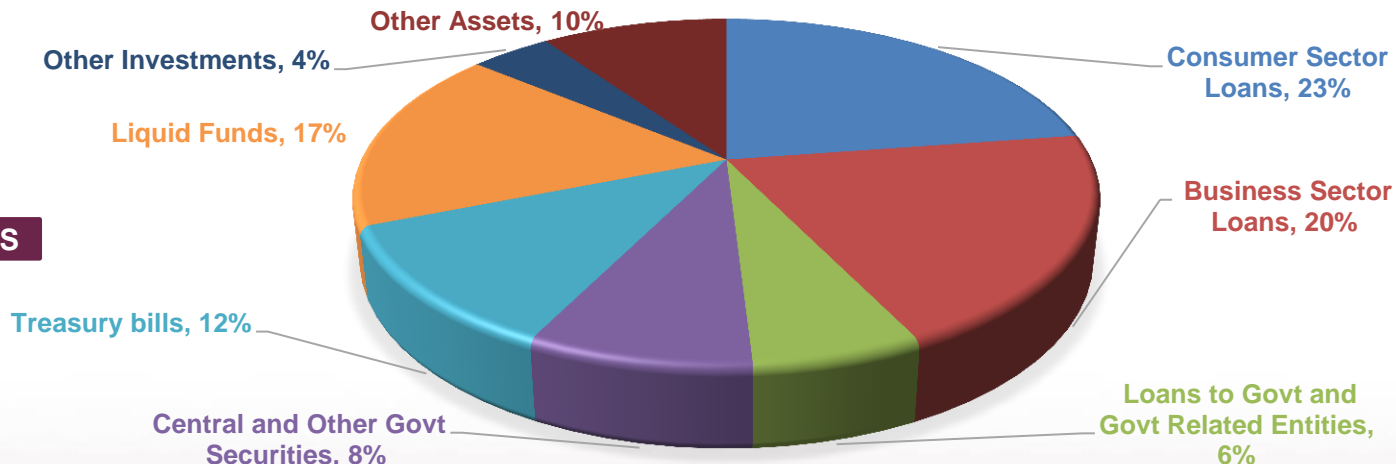
Dec-17

Dec-18

BANKING SECTOR – Per cent

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BANKING SECTOR ASSETS





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Per cent Dec-14 Dec-15 Dec-16 Dec-17 Dec-18

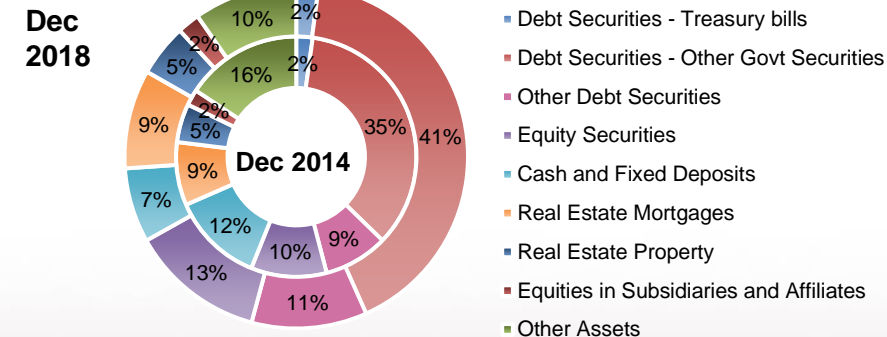
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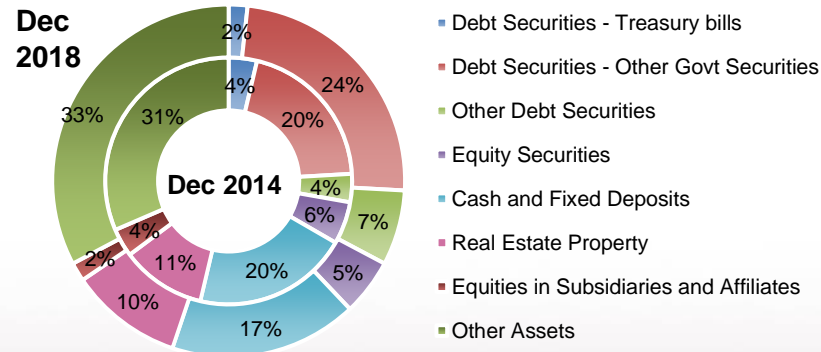
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LIFE SECTOR ASSETS



NON-LIFE SECTOR ASSETS





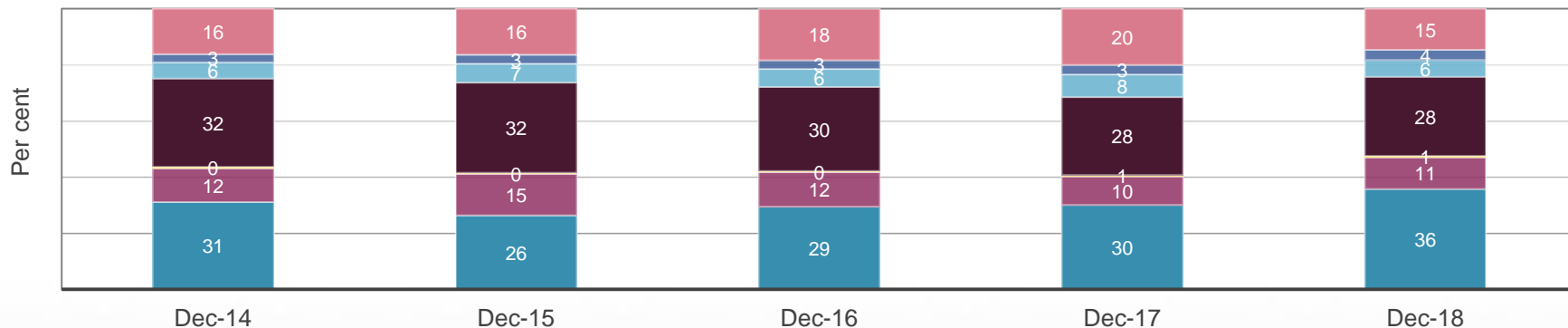
OCCUPATIONAL PENSION PLANS

PENSION PLANS BY TYPE

	Sponsored by Govt or Govt-Related entities		Private Company Sponsored	
	Defined Benefit	Defined Contribution or Hybrid	Defined Benefit	Defined Contribution or Hybrid
Number of Plans	35	8	72	70
Total Assets (TT\$ Billion)	29.9	0.32	12.66	7.4

PENSION PLANS ASSET COMPOSITION

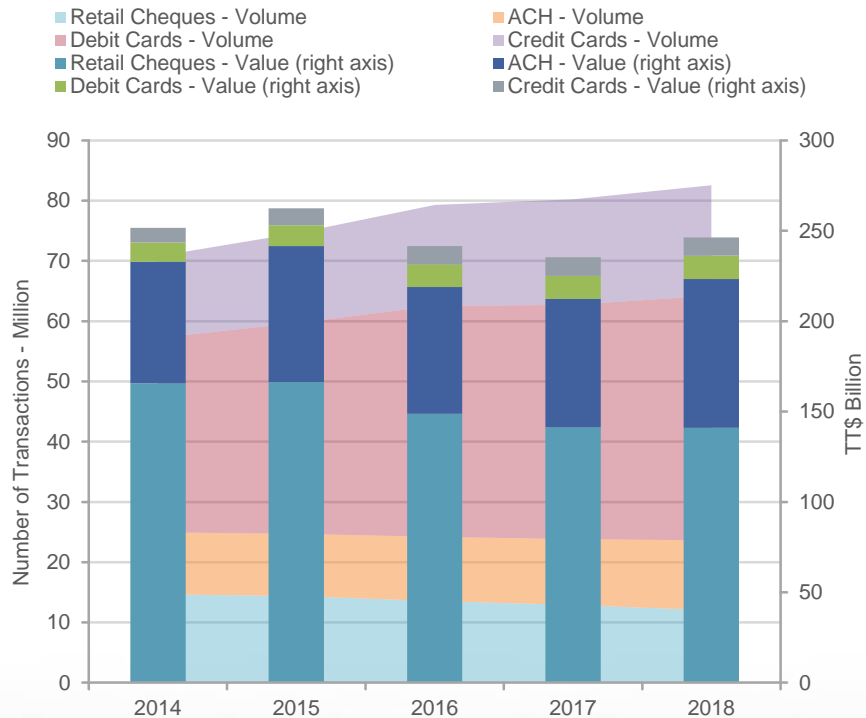
■ TT Govt Securities ■ Corporate Securities ■ Mortgages ■ TT Equities ■ Fixed Deposits ■ Other TT Assets ■ Foreign Securities



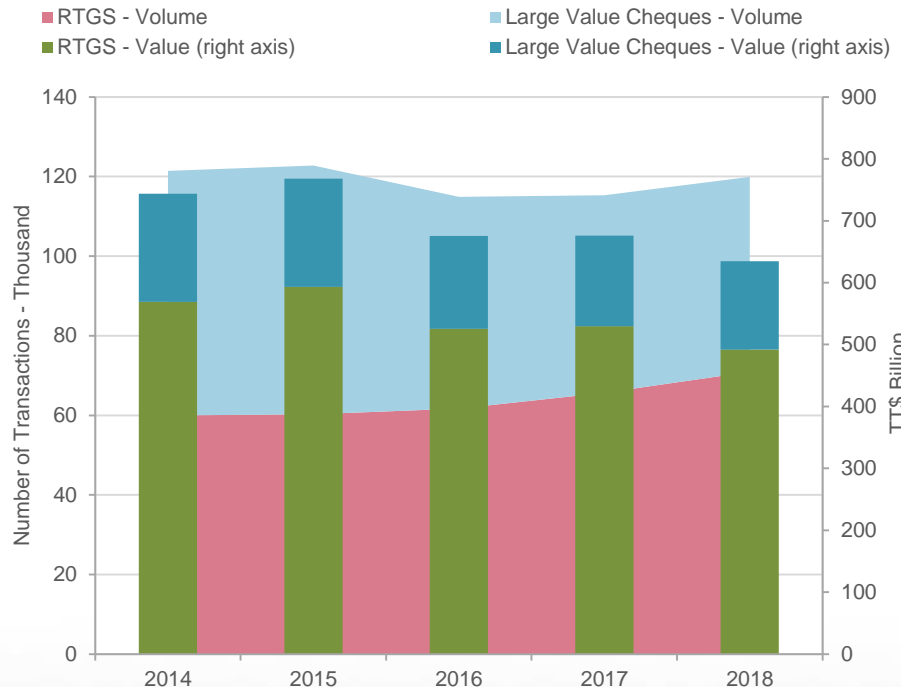


DATA TRENDS IN PAYMENTS

Retail Payments – Volume and Value



Wholesale Payments – Volume and Value





DEVELOPMENTS IN THE PAYMENTS SPACE



Drafted Virtual Asset Policy

Seeks to Promote Innovation while Mitigating Risks Issued Bank's Public Policy Statement on Fintech and Virtual Currency in 2018 Issued Joint Regulatory Statement on Virtual Currencies.



Drafted E-Money Policy

Allows other categories of E-Money issuers. Public consultation in November 2018 – February 2019.



Oversight using PFMI

Completed oversight assessments of RTGS, ACH, LINX and Cheque Clearings Operators in the process of implementing action plan to address gaps identified.



GLOBAL FINANCIAL STABILITY CONCERNS



GLOBAL FINANCIAL STABILITY RISKS



US

Trade tensions

High sovereign debt

Permeation of largely unregulated crypto-assets



UK

Uncertainty surrounding Brexit

High household debt



EUROPE

Political uncertainty

High sovereign debt

High levels of NPLs



CANADA

High household debt

House prices

COMMON RISKS



Tightened financial conditions

Growing household and sovereign debt

Fintech, Cyber-attacks

Environmental disasters



ASIA

Trade tensions

Permeation of largely unregulated crypto-assets

Tightened financial conditions

Environmental disasters



LAC

De-risking

Political uncertainty

Tightened financial conditions

Environmental disasters



AUSTRALIA

High household debt

House prices



AFRICA

Fiscal deficits

Tightened financial conditions

Operational risk

Environmental disasters

Source: Various jurisdictions' Financial Stability Reports

VULNERABILITIES AND RISK ASSESSMENT





DOMESTIC FINANCIAL STABILITY RISKS

VULNERABILITIES

KEY TRIGGER

RISKS

RISK ASSESS- MENT

Growing household indebtedness

Sluggish economy, rising interest rates on variable-rate loans

Deterioration in the quality of consumer loan portfolios



High sovereign concentrations in the financial system

Sharp fall in Government revenue, credit exposure limit adjustment

Rise in public sector-related NPLs



Keeping pace with evolving international standards on money laundering, terrorist financing and tax transparency

Loss of correspondent banking relationships

Delays in executing international payments



Rapid digitalisation on the financial services industry

Cyber-attacks

Loss of confidence in digital transformation



Low

Moderate

Elevated

High

Very High



VULNERABILITY 4: RAPID DIGITALISATION OF THE FINANCIAL SERVICES INDUSTRY

Digitalisation in the financial services industry refers to the use of available technology by institutions to enhance the provision of products and services in an online or non-physical space.

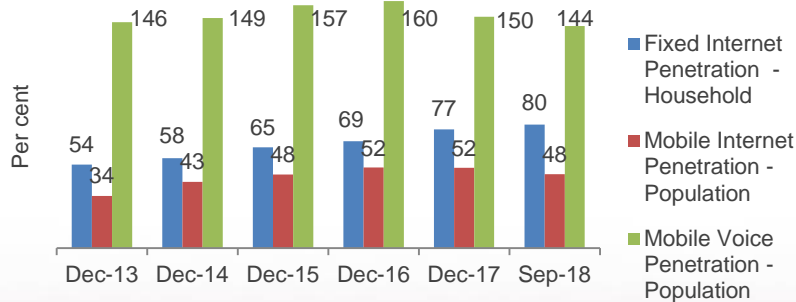


VULNERABILITY 4: RAPID DIGITALISATION OF THE FINANCIAL SERVICES INDUSTRY

Today, the emergence of FinTech is bringing to the market **new offerings for both households and businesses**. There is now a wide selection of payment apps, investment tools, and other types of digital financial services available.
.....Deputy Governor, Bank of Finland

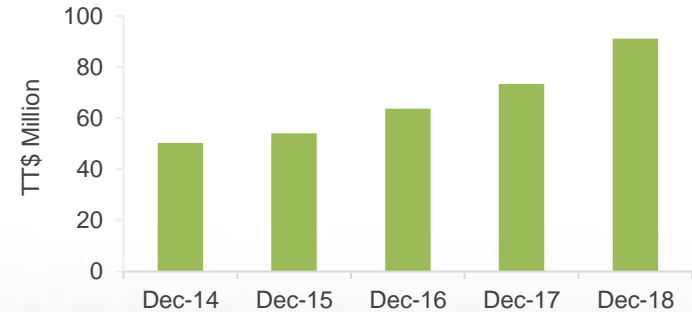


Mobile and Internet Penetration Rates



Source: Telecommunications Authority of Trinidad and Tobago

Banking System Software Development Expenses



Source: Central Bank of Trinidad and Tobago



RISK I: LOSS OF CONFIDENCE IN DIGITAL TRANSFORMATION

Cyber Risks are BORDERLESS!

Temporarily
reduce funding
available

Create
Reputational
Damage

Impede
Settlement of
transactions

Financial Losses
(Theft & Fraud)

CYBER ATTACK

Cyber Risks are growing in scale, scope and sophistication....



RISK I: LOSS OF CONFIDENCE IN DIGITAL TRANSFORMATION



RISK

OVERALL ASSESSMENT

Loss of confidence in digital transformation

CYBER SECURITY

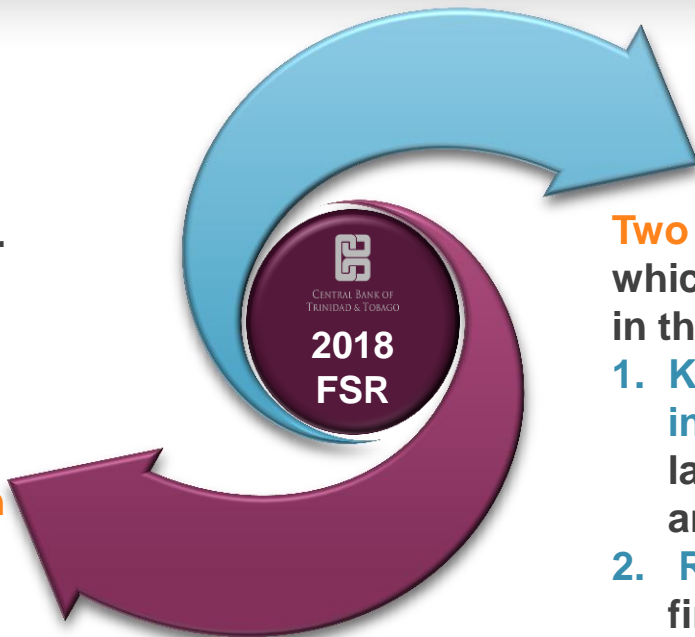




KEY MESSAGES

The financial system is **healthy**: robust capital positions, strong asset quality, comfortable liquidity levels and favourable profits.

Growing household indebtedness as well as **high sovereign concentrations** are being closely monitored.



Two vulnerabilities emerged in 2018 which can threaten financial stability in the event of a negative shock:

1. **Keeping pace with evolving international standards** on money laundering, terrorism financing and tax transparency;
2. **Rapid digitalisation** in the financial services industry.

Strategic, developmental and operational initiatives are on-going at the Central Bank to ensure that we adapt to our evolving financial ecosystem.



THANK YOU