

# HIGHLIGHTS

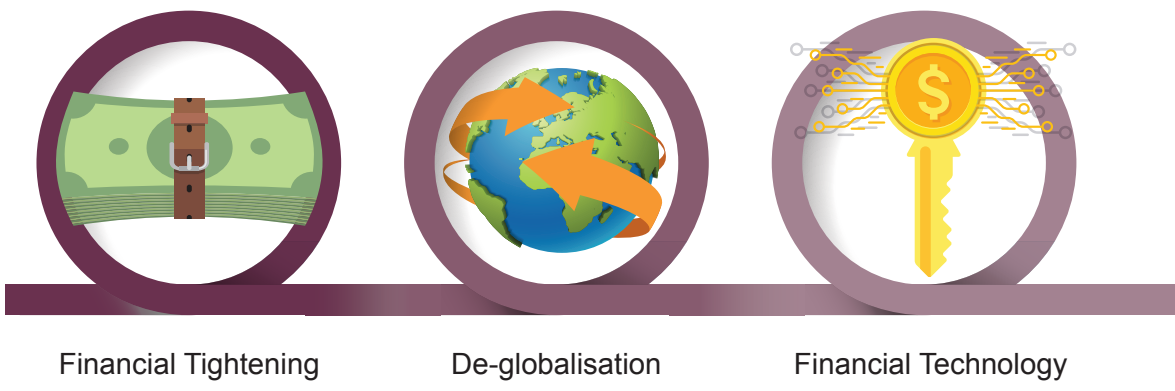


## In Summary:

- Financial conditions remain favourable but ongoing monetary accommodation in advanced economies, regulatory rollbacks and financial technology innovations contribute heavily to global financial stability risks.
- Deep financial interconnections between sovereigns and banks keep financial stability concerns elevated in the Caribbean.
- Domestically, a revival in the energy sector has reduced financial stability risks from the macroeconomic channel.
- The 2017 Vulnerabilities and Risk Assessment has identified high household debt, public sector debt-servicing and the low domestic interest rate environment as key sources of potential financial imbalances.
- Amidst these vulnerabilities and risks, the financial sector appears healthy. The banking system is highly capitalised, profitable and asset quality is favourable. The insurance and pensions industries also continue to exhibit strong financial fundamentals.

The Central Bank continues to proactively supervise and regulate the macro-financial system by championing effective governance and risk management practices to ensure a stable and well-functioning financial system.

## GLOBAL FINANCIAL STABILITY RISKS

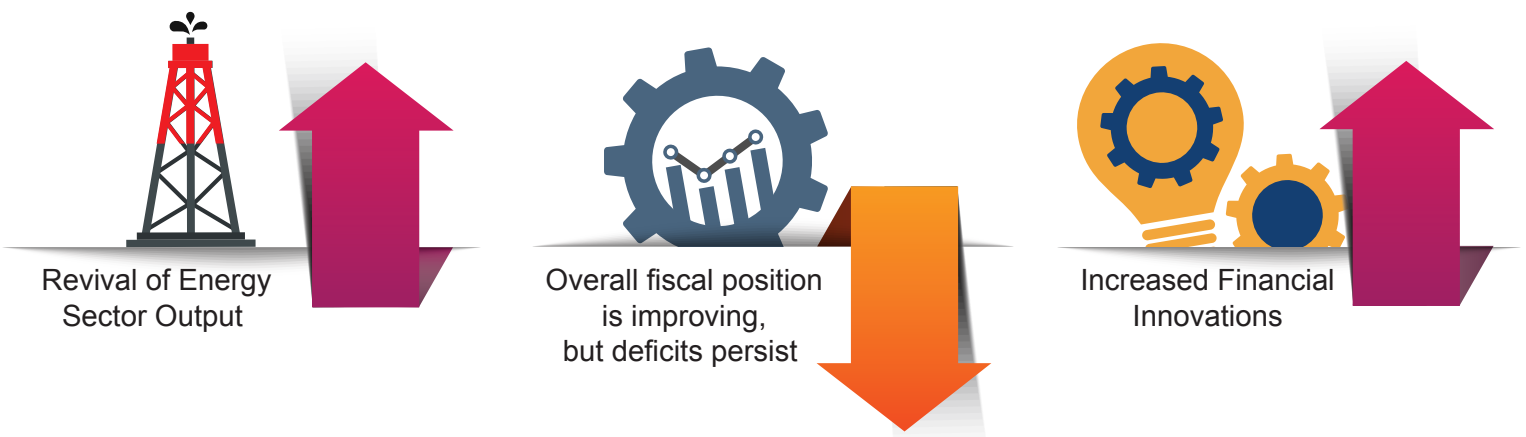


Financial Tightening

De-globalisation

Financial Technology

## DOMESTIC MACRO-FINANCIAL CONDITIONS

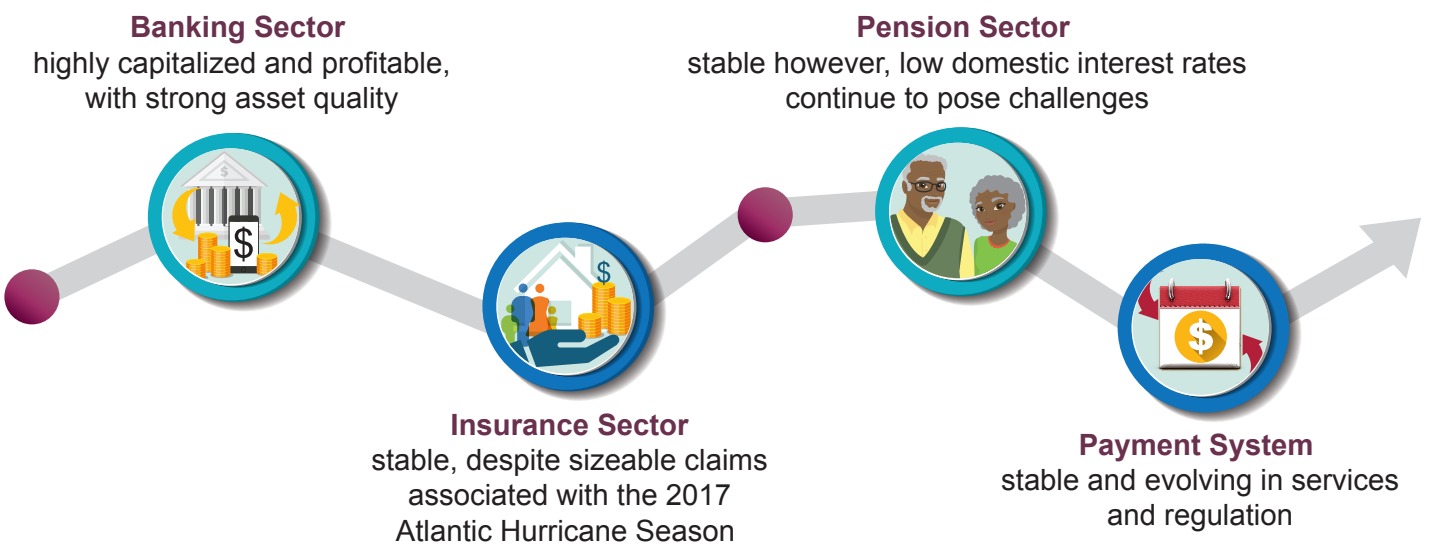


Revival of Energy Sector Output

Overall fiscal position is improving, but deficits persist

Increased Financial Innovations

## FINANCIAL SECTOR PERFORMANCE



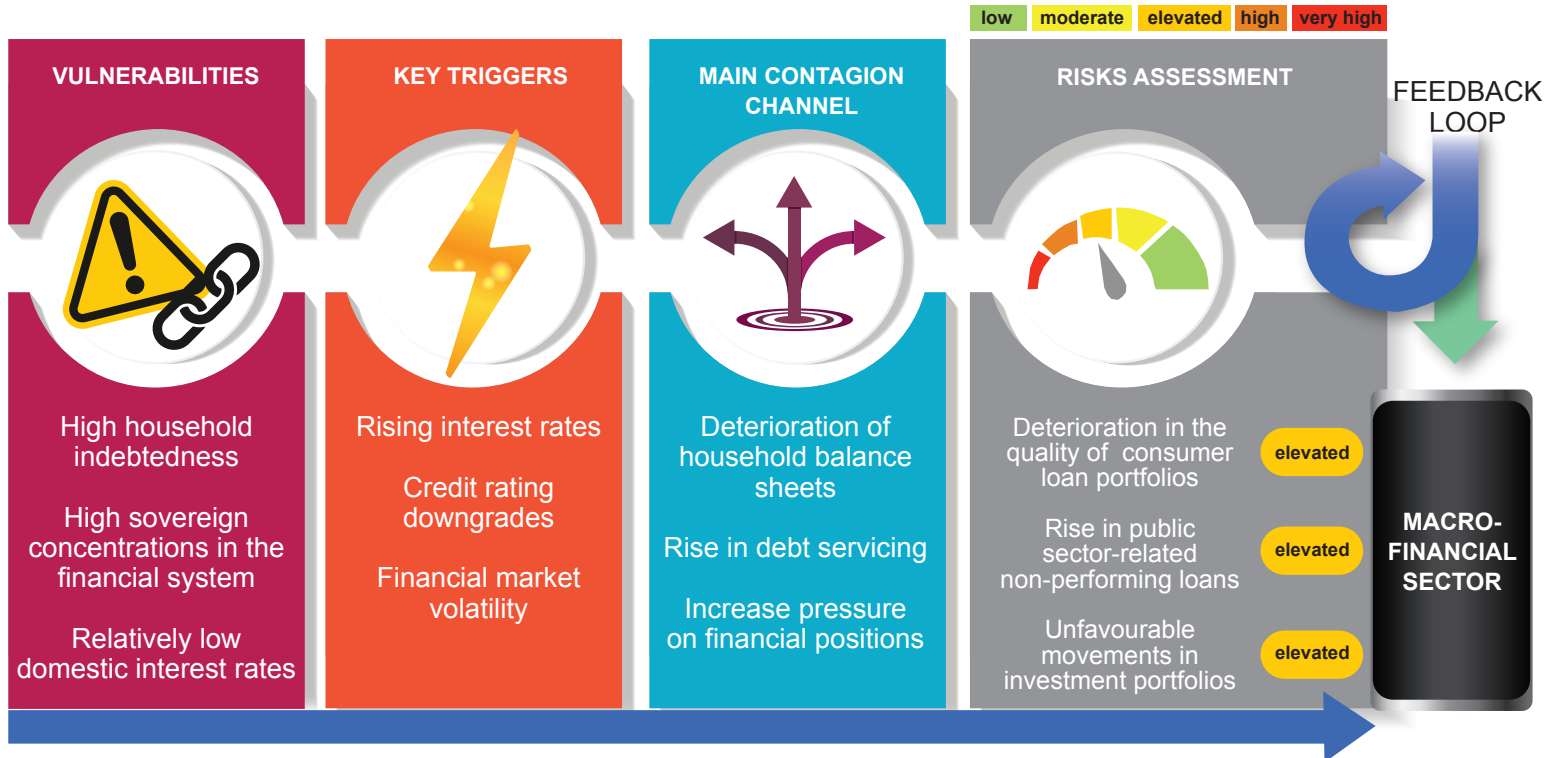
**Banking Sector**  
highly capitalized and profitable, with strong asset quality

**Pension Sector**  
stable however, low domestic interest rates continue to pose challenges

**Insurance Sector**  
stable, despite sizeable claims associated with the 2017 Atlantic Hurricane Season

**Payment System**  
stable and evolving in services and regulation

## 2017 VULNERABILITIES AND RISKS



## PROMOTING AND SUSTAINING FINANCIAL STABILITY



### Advancing Legislation

Implementation of the Insurance Bill, 2016.  
Enactment of the Tax Information Exchange Agreements Act, 2017.

### Improving Risk-based Supervision and Governance

Basel II/III Implementation.  
Strengthening the Anti-Money Laundering and Combatting the Financing of Terrorism Framework.  
Enhanced communication with external auditors of financial institutions.

### Supervisory Co-ordination

Development of a reporting framework for regional financial groups with the Central Bank of Barbados.  
Semi-annual regional supervisory teleconferences with host regulators.

### Strengthening Technical and Analytical Capabilities

Collaboration among micro- and macro- prudential teams to identify sources of vulnerabilities and risks; as well as areas to improve stress tests.

### Recent Developments in Payment Systems

Common regulatory approach to treating with digital currencies.  
Implementation of Principles for Financial Market Infrastructures.