

Developments Series

18 June, 2024

Governor Hilaire discusses challenges arising from extensive commercial bank financing of governments

On June 18, 2024 at a Panel Discussion at a meeting of the Regional Consultative Group for the Americas hosted by the British Virgin Islands Financial Services Commission, Dr. Hilaire discussed the challenges that regulators face in managing the 'sovereign-bank nexus' (the financial relationship between banks and governments).

The key points of Dr. Hilaire's presentation on [Regulatory Challenges in Managing the Sovereign-Bank Nexus](#) were:

1. Caribbean banks furnished some of the additional sovereign funding occasioned by COVID-19.
2. There are many positives to banks' exposure to sovereigns.
3. However, large sovereign exposures pose several risks.
4. In principle regulatory standards take due account of the risks of sovereign exposure.
5. Domestic debt restructurings in the Caribbean showed that sovereign credit risk could materialise.
6. Moreover, domestic regulators confront important practical challenges in managing the sovereign-bank nexus.
7. Continued vigilance is essential given the likely trajectory of public debt.

Read the full release on the 2024 meetings at

<https://www.fsb.org/2024/06/fsb-americas-group-discusses-risks-associated-with-the-sovereign-bank-nexus-and-crypto-asset-arrangements/>

The Regional Consultative Group for the Americas is a forum established by the Financial Stability Board (FSB) that brings together heads of financial authorities from various countries in the Americas (including Trinidad and Tobago since 2019) to discuss financial stability and policy initiatives. The FSB is an international body that promotes international financial stability by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies.

Pictured below, Governor Alvin Hilaire engages in discussions at the meeting of the Regional Consultative Group for the Americas on June 18, 2024.



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