Assessing Credit Risk in the Colombian Financial System

Issue No. 12 AUTHOR OR EDITOR Carlos Andrés Amaya AUTHORS AND/OR EDITORS Carlos Andres Amaya

According to Large (2005)2 , there are at least three things central banks must do to encourage financial stability. They first must assess the threats to the financial system. Secondly, they must monitor stability of the payment system and take actions to reduce any risk on this front. Finally, as lenders of last resort, they must be able to inject liquidity, even in times of crisis.

Stress test exercises have become a fundamental tool for evaluating the soundness of the financial system and the threats it faces. They involve a number of ways and means to assess the financial system’s vulnerability to exceptional but plausible shocks. The use of these exercises is now common practice within financial institutions and in multilateral organizations, supervisory bodies, central banks and private financial institutions3.

The purpose of this article is to determine, based on exercises of this type, how sound the Colombian financial system is in the face of credit risks that could

Fuente: https://www.banrep.gov.co/en/estabilidad-tema-12