Conclusions of 76th Session of the Committee for the Coordination and Surveillance of the Financial System

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In today's remote meeting, the Committee for the Coordination and Surveillance of the Financial System, comprised of the Minister of Finance and Public Credit, the Governor of *Banco de la República*, the Financial Superintendent, and the Director of FOGAFIN (Colombian agency that provides deposit insurance to depositors), together with the director of the Financial Regulation Unit (URF), analyzed aspects which, from the standpoint of the Colombian financial system, require more intensive surveillance by the Financial Security Network.

Financial Risks
The members of the Committee assessed the credit institutions' key performance indicators as of January 2021 and the forecasts for the rest of the year. This analysis allowed the Committee to conclude that credit institutions are still resilient and capable of supporting economic recovery, even with the current developments and effects of the pandemic.

- The credit institutions' balance sheets timely reveal the deterioration of the loan portfolios, which is consistent with the supervisor's prudential expectations.
- Credit risk, the main focus of attention in 2021, has been adequately and proactively managed by credit institutions in lieu of their different loan portfolios maturing. Provision-making is consistent with the current and potential deterioration of said portfolios.
- The Debtor Accompaniment Program (PAD by its acronym in Spanish) continues to support the debtors' orderly adjustment to their new economic reality, aimed at promoting the stabilization of their good payment habits.
- The increase in provisioning impacted credit institutions' 2020 year-to-end profitability, with no significant impact on banks' technical capital levels or the system's solvency, with the latter remaining above regulatory requirements.
- During 2021, authorities expect more credit risk materializations. Therefore, they preserve their view of fostering financial institutions' equity loss absorption capacity through the capitalization of 2020's and the current year's profits.
- Liquidity risk is managed consistently with the current juncture, preserving the institutions' capacity to meet their short and long-term obligations.

Climate Risks
Considering the growing recognition of how climate change can pose a risk to the financial system's stability, the Committee analyzed the progress in the institutions' identification and measurement of their exposure and impact to physical and transition risks.

The conclusion of this analysis yielded the need to define a strategy aimed at promoting a comprehensive assessment of the system's climate risk to anticipate any necessary actions needed to integrate the different and relevant participants.

General Conclusions

The Committee concluded that the Colombian financial system continues to maintain its capacity to manage credit and liquidity risks in a complex macroeconomic scenario. Even during times like these, this risk management capacity has favored the incursion of new entities willing to promote inclusion and development of the industry.

In 2021, the system's strength will continue to be critical in providing financial services for economic reactivation. Without prejudice of the aforesaid, financial institutions shall maintain a healthy balance between compliance with prudential management and disclosure standards to ensure the adequate protection of the public's deposits and the flow of credit to businesses and households. The new global growth projections and their impact on the financial system's risks will continue to be key elements of the Committee's forthcoming surveillance tasks.

Fuente: https://www.banrep.gov.co/en/conclusions-76th-session-committee-coordination-and-surveillance-financial-system