Conclusions of the 79th Session of the Financial System Coordination and Follow-Up Committee

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A meeting between the Minister of the Treasury and Public Credit, the Governor of *Banco de la República*, the Financial Superintendent, the Director of the Financial Institution Guarantee Fund – Fogafín, and the Director of the Financial Regulation Unit – (URF in Spanish) was held on the morning of Monday 20 September 2021. They analyzed several aspects that, from the perspective of the stability of the Colombian Financial System, continue to demand constant monitoring by the entities part of the Financial Security Network.

Furthermore, the progress on the roadmap for better development of the financial system set out in the public policy document published in October 2020 was presented.

Loan portfolio

The Committee reviewed the performance indicators of the credit institutions as of July 2021 as well as the projections for the remainder of the year and concluded that the growth trajectory of the portfolio shows positive signs insofar as these entities can provide sustainable financing for businesses and households in the reactivation.

The loan portfolio has completed two consecutive months of rebound that makes it possible to infer that growth will consolidate in the fourth quarter of 2021.

The Debtor Assistance Program (PAD) has completed its implementation phase with a positive balance of 2,202,242 debtors receiving COP 37 billion (6.8% of the gross portfolio) of which 87.6% are paying on their loans with no setbacks and nothing in arrears.

Credit institutions have implemented appropriate policies and management processes that allow them to issue more new loans and maintain the balance between risk detection without compromising compliance with prudential minimums in capital adequacy and liquidity.

Market and Liquidity Risk

In terms of market and liquidity risk, there are no significant red flags. The credit institutions' exposure to market risk remains within the levels consistent with their business structure, although they have registered lower levels of profit from treasury transactions throughout 2021. Credit institutions present suitable liquidity risk management, with levels of liquid assets that allow them to meet their short and long-term obligations.

The Office of the Financial Superintendent of Colombia monitors the transition process that the various entities in the financial sector have developed to migrate to new benchmark rates that will replace LIBOR (London Interbank Offered Rate).

In general, financial institutions have developed the necessary adjustments for the adoption of new benchmark rates.

Capital Market

Regarding capital market, emphasis was given to the fact that of the 74 actions listed in the policy document 19% of them have already been implemented, 51% were included in the draft Bill 413/2021 currently moving through the Congress of the Republic, and the remaining 22% have been listed on the medium-term work agenda.

Among the advances made, the regulation of the securities issuance process by the SAS, the modernization of payment systems, and the catching-up process to meet international standards for prudential regulation stand out. These efforts have made it possible to move forward and achieve the goals set out in the policy, especially those for financial inclusion and access to the payment systems.

General conclusions

The Financial System Coordination and Monitoring Committee concluded that credit, market, and liquidity risks remain appropriately managed in keeping with the macroeconomics. In addition, credit institutions can provide financing for businesses and households without jeopardizing compliance with prudential indicators in terms of capital adequacy and liquidity.

Financial institutions should manage their appetite for risk by striking a healthy balance between stimulating recovery and complying with prudential standards to safeguard the funds raised from the public.

Fuente: https://www.banrep.gov.co/en/conclusions-79th-session-financial-system-coordination-and-follow-committee