



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

GRENADA

Systemic Risk Monitoring

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Prepared By

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High-Level Summary Technical Assistance Report
Monetary and Capital Markets Department

Grenada
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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The technical assistance aimed to build capacity to monitor and assess systemic risk for non-bank financial institutions in the Grenada Authority for the Regulation of Financial Institutions (GARFIN). The mission underlined the need to clarify the macroprudential mandate and cooperation with the ECCB to conduct the macroprudential work accordingly. A potential extension of the existing Annual Report and Accounts covering key financial stability indicators and their assessment could be considered. It further highlighted the need to revise the existing reporting templates to reflect systemic risk better. Finally, the important role of the data management system was underlined.

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Background

The technical assistance mission aimed to build capacity to monitor and assess systemic risk for non-bank financial institutions in the Grenada Authority for the Regulation of Financial Institutions (GARFIN). The four-day mission provided training on essential elements of financial stability and macroprudential policy, measuring financial stability, credit risk, stress testing for credit unions, insurance & pension balance sheets and corresponding financial stability risks, essential elements of climate risk, interconnectedness, and contagion risk. Moreover, the mission included a discussion on the existing relevant data sources and their management. In addition, it explored the resilience of the non-bank financial sector and the current progress on stress testing.

Summary of Findings

GARFIN is responsible for the regulation and supervision of the non-bank financial sector in Grenada. The banking sector is supervised directly by the Eastern Caribbean Central Bank (ECCB). The implicit financial stability mandate for the entire ECCU financial system lies with the ECCB, but the related legislation is still being drafted. However, only aggregate data covering the non-bank sector in Grenada are reported to the ECCB, which does not allow for the complete monitoring of systemic risk. At the same time, macroprudential work is not currently being conducted by GARFIN. Hence, the mandate needs to be clarified, including data sharing, and accordingly, either the ECCB or GARFIN needs to conduct macroprudential work. This work would need to include a compilation of key macroprudential indicators, their analysis, and regular performance and publication of solvency stress tests for both the credit union and insurance sectors. Moreover, it should reflect on climate risk as a new emerging risk that is, in particular, relevant for Grenada.

Summary of Recommendations

The mission provided several recommendations to GARFIN. They covered the technical work on systemic risk monitoring, communication of key financial stability risks, staff capacity, data sources, and their management. The macroprudential mandate and the cooperation with the ECCB must be clarified and the macroprudential work conducted accordingly. In this context, GARFIN could consider an extension of the existing Annual Report and Accounts covering key financial stability indicators and their assessment. This addition could include all available key indicators that could help to assess systemic risk for the non-banking sector in Grenada. Depending on the clarification of macroprudential mandate, the staff capacity might need to be enhanced to cover macroprudential work. GARFIN should regularly conduct top-down stress tests for credit unions and insurance companies. The existing reporting templates for the non-banking sector should be revised to reflect better systemic risk. Potential new data sources to be utilized for financial stability purposes should be explored. Data management systems need to be set up to pursue financial stability tasks. GARFIN should engage with the ECCB on the possible utilization of a credit bureau in the future.