
CENTRAL BANKING

Bank of Jamaica will expand supervision of climate risks

Central bank notes island country is among 20 most vulnerable to climate change



Bank of Jamaica

Central Banking Newsdesk

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Jamaica's central bank says it will permanently incorporate climate change into its supervision of the financial system and financial institutions.

In its 2021 [financial stability report](#), published last month, the Bank of Jamaica said it was working with France's overseas development agency to improve climate-related supervision. It pledged to "integrate climate risks into the bank's supervisory activities as well as to conduct climate-specific stress-testing of the financial system".

The report also discussed an earlier stress test, based on data for the end of 2021, which employed a "climate-related risk/hurricane scenario". In this case, the central bank simulated the effects of a "100-year hurricane".

The stress test found deposit-taking institutions and securities dealers would take significant blows to their capital adequacy ratios, which would

fall by 3.5% and 5.6% respectively. However, it found banks and securities firms would still have adequate capital to meet regulatory requirements.

The central bank noted that Jamaica is highly vulnerable both to natural disasters and systemic climate change. The International Monetary Fund considers Jamaica among the 20 countries most vulnerable to natural disasters, the report said. Climate change puts the country's coastline at risk, while increasing the frequency and unpredictability of severe storms and drought.

Jamaica was [last hit by a hurricane](#) in early July 2021.

The Bank of Jamaica [joined](#) the Sustainable Banking and Finance Network in February. This body is a coalition of regulatory agencies and finance-sector associations in developing countries. The World Bank Group and its International Finance Corporation provide administrative support to the network.

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