



Foro de Seguro de Depósitos de las Américas Americas Deposit Insurance Forum



Session 2:

Cooperation
mechanisms
among SNP

María del Pilar
Galindo
Deputy Director

Fogafín – CO

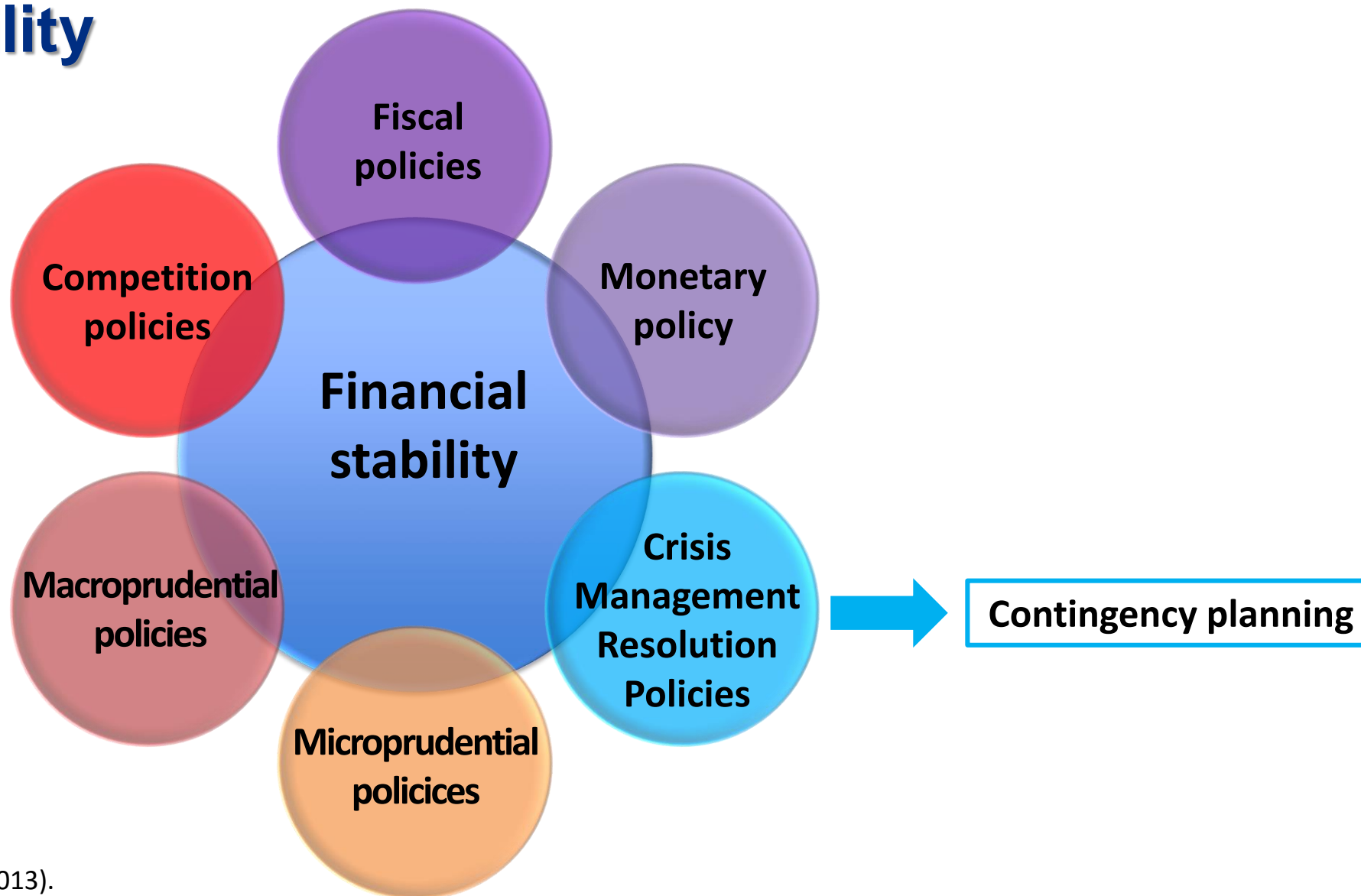
The role of coordination in financial stability



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Financial stability



Contingency planning

- “(...) *Contingency planning* aims to help authorities respond well to future events occurring within their mandate. Effective contingency planning requires tools to monitor pertinent developments, awareness of policy and operational choices, and of the advance decisions on the use of the authorities’ powers, procedures to coordinate with other—domestic and foreign—agencies, and financial crisis-simulation exercises to test contingency plans (...).” FMI (2017).

Crisis management framework

- "*(...) A crisis management framework typically provides a set of procedures and coordination arrangements among relevant authorities to support timely and best possible decision-making*". FMI (2010).

Colombia's Architecture



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Institucional arrangement Colombia



Ministry of Finance - MHCP

- Regulator\ policy designer (URF)
- Budget



Central Bank - Banrep

- Liquidity operations
- Lender of last resort



Finance Superintendence – SFC

- Supervisor
- Resolution powers



Deposit Insurance Agency - Fogafín

- Resolution Powers
- Deposit insurance system

Governance



Coordination Committee for Financial Stability Monitoring- CCSSF

- Shares information on potential risks that may affect financial stability.
- Promotes standardization and information sharing among the authorities.
- Is a coordination Committee (supports the decision making).
- MHCP (URF) / SFC / Banrep / Fogafín

Intersectoral Resolution Commission – CIR

- Makes recommendations on resolution and recovery mechanisms.
- Sets minimum standards for resolution planning of institutions.
- Monitor institution risks.
- SFC / Fogafín

SFC Advisory Council

- Makes recommendations on resolution mechanisms.
- Its opinions must be heard on specific topics, but are not mandatory.
- 5 members appointed by the President.

Junta Directiva FOGAFÍN

- Define the resolution or recovery mechanism among Fogafín set of tools.
- MHCP/SFC/Banrep/ 2 independent member (1 appointed by the President)

Governance



Central Bank Directors Board

- Monetary policy.

URF Board

- Regulatory drafts

Esencial elements for coordination



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Elements

- **Information sharing**

Both in crisis and in peace times.  **SFC**

- **Systemic assesment**

Some common aproach is needed among authorities to evaluating emerging risk. Highly dependence on information sharing.  **CCSSF / CIR**

- **Decision making**  **SFC / Governance bodies**

Although decision-making is individual, it requires close coordination among the responsible authorities.

- **External communication**  **SFC / SN**

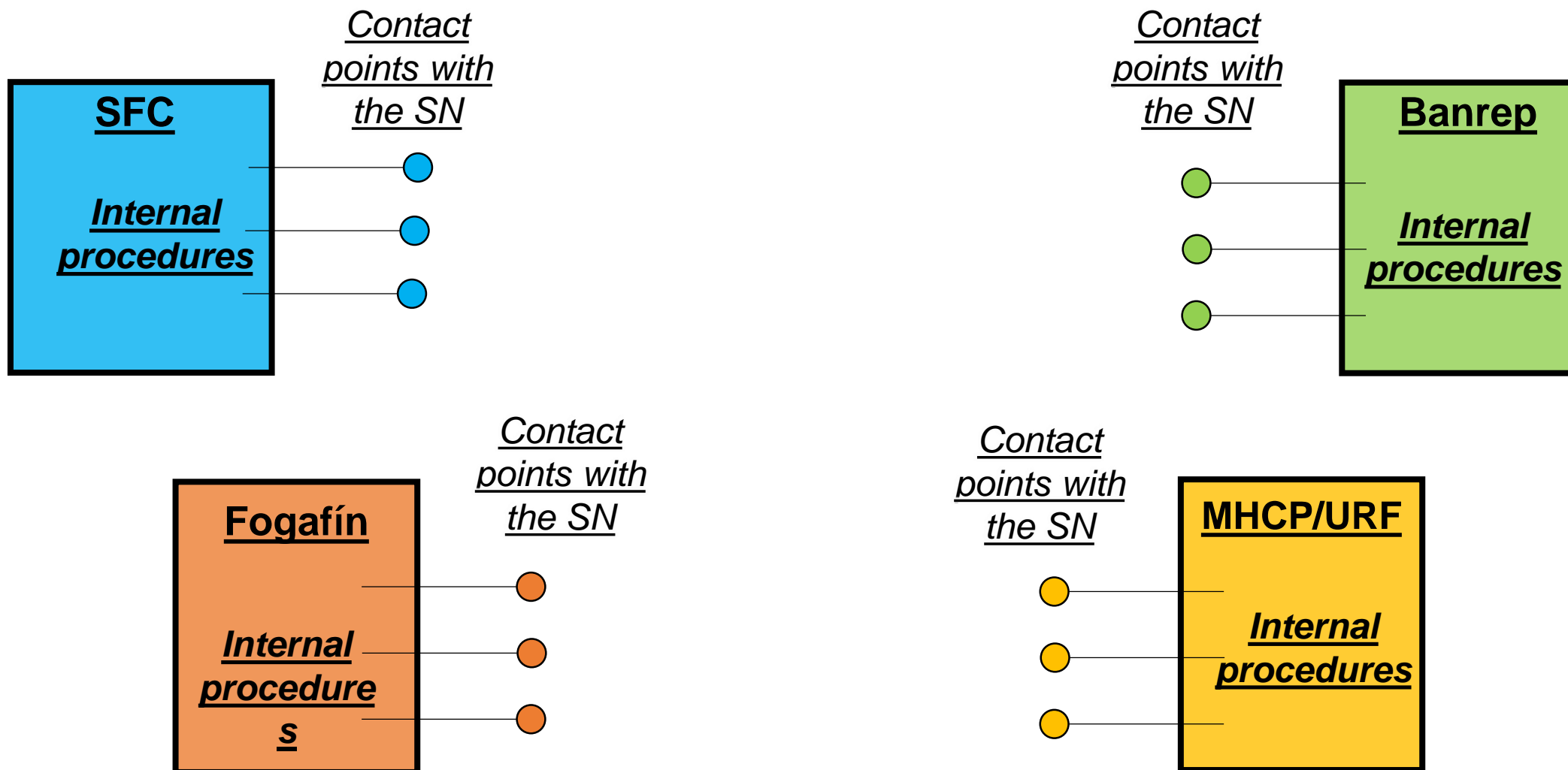
Mantaining confidence.

- **Review and Testing**  **SN / Fogafín**

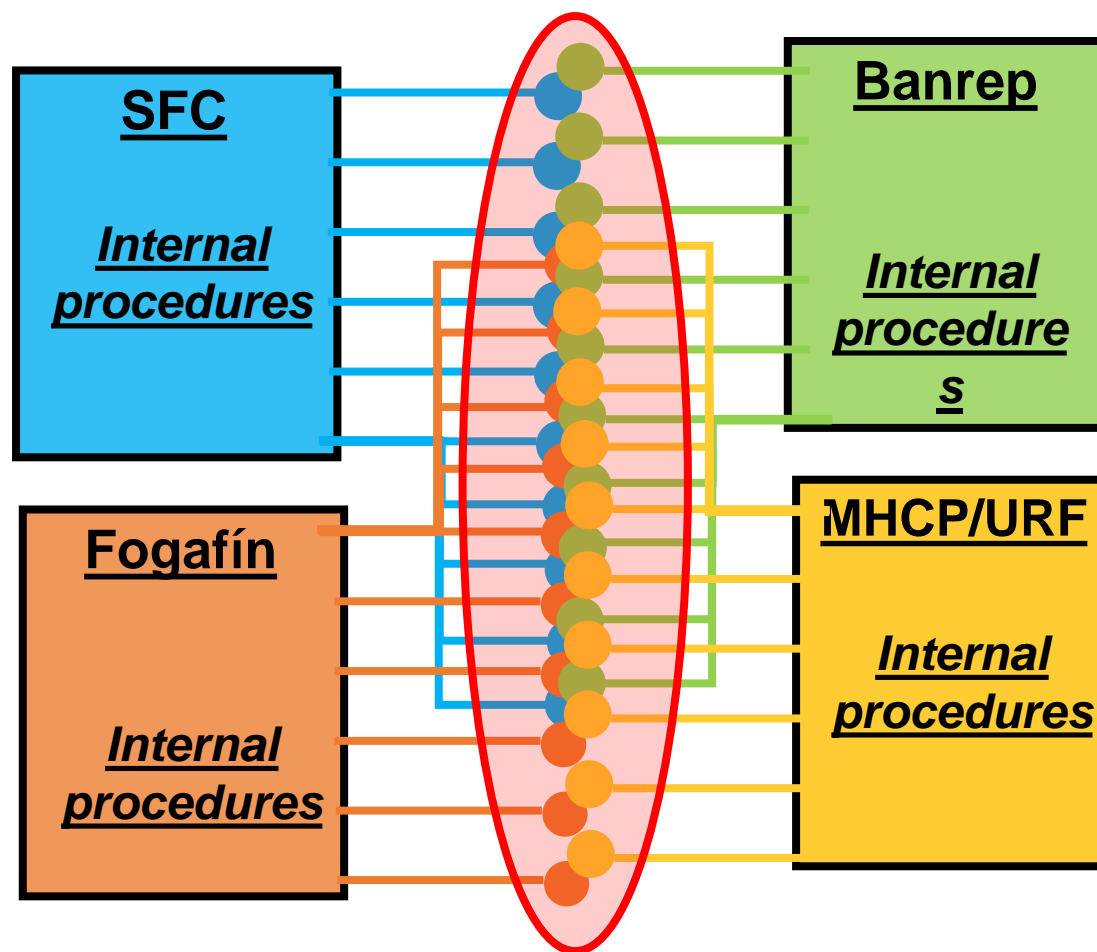
Regular R&T to ensure that as the financial system evolves the arrangements remain current and effective.

CMF

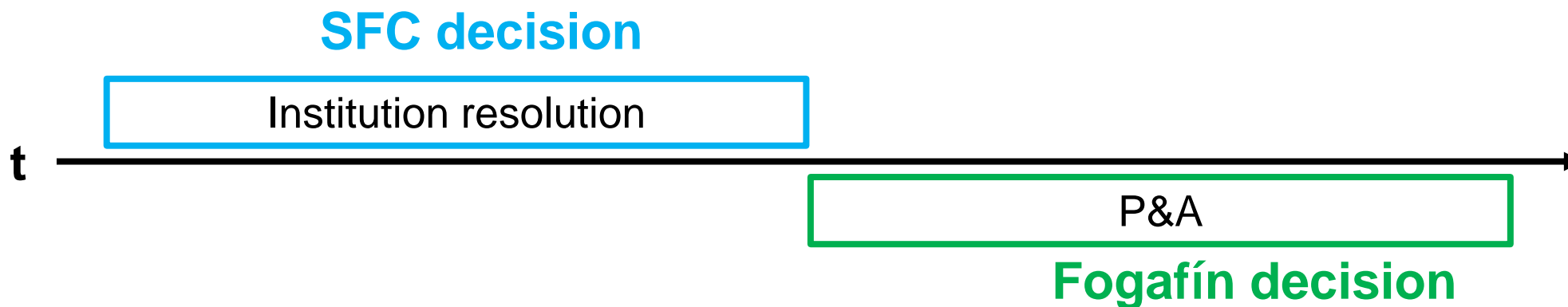
Crisis management framework



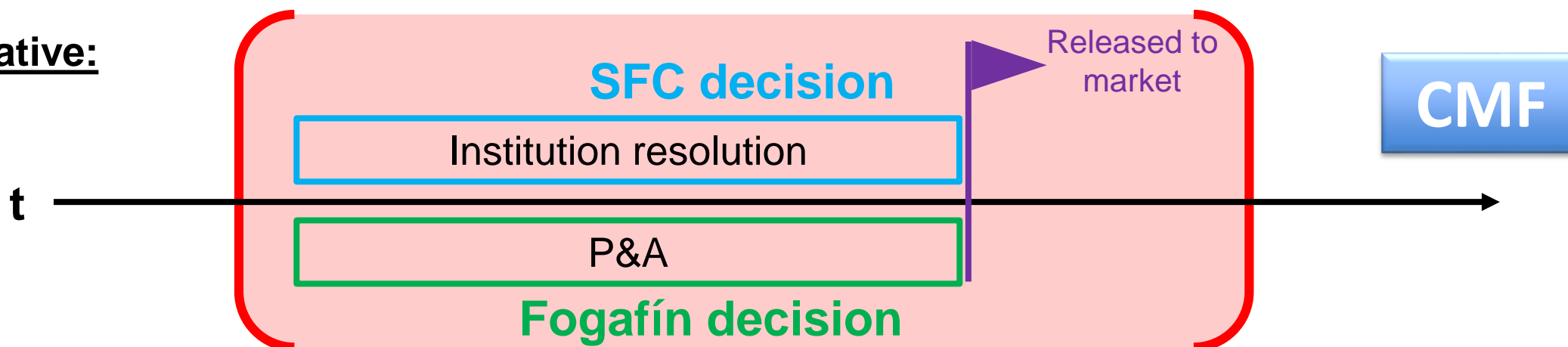
Crisis management framework



- According to the legal framework:



- Operative:



Some conclusions

- Coordination is framed in the broader concept of contingency planning.
- Information sharing is key for coordination, both in crisis and in peace times.
- A CMF is a central element for coordination beyond the legal framework.
- Individual decision making must be preserved but a close coordination is required.
- Personal interaction and relationships are fundamental.

Question 1.

Participation of members of the safety net in the boards of directors of other members can lead to potential conflicts of interest, in particular, political pressures in the decision-making process. At the same time, it can contribute and facilitate early coordination between entities.

- Do you think that this participation could contribute to a timely coordination or, on the contrary, generate undesirable conflicts of interest for the system?
- How can the benefits of this participation be achieved with an appropriate conflict of interest administration?



Question 2.

Which have been the main drivers of successful cases of coordination in your country's experience? Which have been the main obstacles for coordination?

Question 3.

In addition to the potential conflict of interests in the case of participation of members of the safety net in the boards of directors of other members, there are other potential conflicts of interest that arise due to the specific responsibilities of members (ie. supervision, resolution, liquidity support).

From your perspective, how can these conflicts be tackled while assuring the agencies are collectively prepared for a crisis?

