



Credit Risk Implications for Banks and Other Financial Institutions due to COVID-19



Observation

- Obligor seeking liquidity and heavy drawdown on credit facilities. Behavior based rating systems may need ad-hoc treatments
- Obligors from certain sectors (e.g. tourism, hotels, airlines) suffer severely from economic difficulties
- Uncertainty about definition of default when providing service to obligors to support this crisis.



Short Term

- Revision of definition of default in accordance with current supervisory flexibility
- Check reliability of collective automatic rating systems
- Increase monitoring of obligors
- Adjustments to stress test scenarios to incorporate government measures and most up to date data
- Establish advisory service for obligors to access government support



Long Term

- Adjust capital planning to incorporate Covid-19 scenario analysis
- Recalibration of credit models
- Consider including recession scenarios into credit stress test

How KPMG Can Help

- Business and capital planning
- Analytics and insights
- Sector research
- Gap analysis
- Development / enhancement of credit risk rating models
- Credit modeling
- Development / enhancement of Expected Credit Loss models
- Fair value analysis of collateral
- Policy and procedure development
- Regulatory impact assessment

Contact

Raymond Campbell

Head of Advisory
Partner, Deal Advisory
KPMG in Jamaica

T 876-922-0091

E raymondcampbell@kpmg.com.jm

Ricardo Murrel

Manager
Financial Risk Management
KPMG in Jamaica

T 876-922-6640

E rmurrel@kpmg.com.jm