

# Banking Supervision

## Technical Assistance in Fiscal Year 2016

**METAC countries have been making steady efforts to implement risk-based supervision (RBS) and comply with Basel Committee on Banking Supervision (BCBS) guidelines and standards, particularly those related to Pillar 2 of Basel II and III.** New guidelines and standards have been recently released aimed at efficiently managing and measuring different types of risks related to: credit risk, market risks, interest rate risk in the banks' books, and stress testing to further enhance the quantity and quality of banks' capital. Within this context, METAC's activities during FY16 focused on responding to requests from member countries to assist them in achieving those objectives. METAC's TA in banking supervision was provided to Egypt, Iraq, Jordan, Lebanon, Libya, Sudan and West Bank and Gaza (WBG).

### **Egypt:**

The Central Bank of Egypt (CBE) received six missions from METAC on the implementation of Pillar 2 of Basel II and III. A framework for internal capital adequacy assessment process (ICAAP) was developed to be implemented by banks in Egypt as a minimum requirement for assessing their capital adequacy vis-à-vis their risk profiles in addition to the development of a supervisory review process (SRP) manual to be used by the CBE supervisors in evaluating ICAAP reports submitted by banks and assessing the adequacy of their capitals. METAC also assisted the CBE in preparing draft regulations on concentration risk, and on interest rate risk in the banks' books. In addition, training was provided to the CBE staff on all the TA topics covered during METAC missions, in particular, on stress testing techniques to assess banks vulnerabilities.

### **Iraq:**

METAC reviewed the Central Bank of Iraq (CBI) prudential regulations in banking supervision based on the Basel Core Principles and the CBI's Banking Law 94 of 2004. The mission produced a detailed report identifying the current regulations that need to be amended and upgraded to be in line with international standards and best practices in banking supervision, and recommended the development of additional regulations that should be in place to enhance the regulatory framework at the CBI.

### **Jordan:**

METAC provided training on stress testing to the supervisors of the Central Bank of Jordan (CBJ) through two missions which focused on implementing sound risk management assessment practices, and adopting a forward-looking measurement of banks' risks including the design, development, and conducting of stress test as a fundamental risk-management tool. The implementation of the stress test techniques have already started and supervisors of the CBJ are assessing the resilience of banks under strained conditions.

### **Lebanon:**

Over a period of seven months, METAC completed the updating and upgrading of the banking control commission of Lebanon (BCCL)'s inspection manual to further aligning it with RBS. This project consisted of twelve work-from home missions and two on-site missions in

accordance with a predefined timetable agreed on with the authorities. METAC will assist the BCCL in implementing this manual during FY17 and testing it on two domestic systematically important banks.

**Libya:**

Two off-site missions were held in Amman, Jordan and provided training to two groups of supervisors from the Central Bank of Libya (CBL) on risk management in Islamic banks and on "Shariah Governance and Shariah Supervision". The training provided guidance on the methodologies and approaches for assessing risks related to Islamic banks in addition to Shariah governance, Shariah risk management, and Shariah non-compliance risk.

**Sudan:**

METAC continued its assistance to the Central Bank of Sudan (CBOS) to enhance the functioning of Sudan's public credit registry that is operated by the Credit Information and Scoring Agency, Sudan (CIASA). Significant progress has been made in completing the outstanding recommendations which will move CIASA credit registry closer to meeting international credit reporting and best practices. METAC also provided training on stress testing to the supervisors of the CBOS to assist them in adopting a forward-looking approach in measuring banks' risks and assess their resilience to stress.

**West Bank and Gaza:**

METAC's TA to the Palestine Monetary Authority (PMA) continues with the goal to transform the supervisory framework into a risk-based approach and to complete a RBS manual in line with international best practices. This work is being carried out by a task force team of the PMA supervisors with the help of peripatetic visits of a METAC, short-term expert. The PMA supervisors have already started implementing the risk assessment model of this manual.