

Banking Supervision

Technical Assistance in Fiscal Year 2015

Banking supervision has witnessed continued development in the FY15. New supervision standards and principles were produced by the Basel Committee on Banking Supervision (BCBS) and by the Islamic Financial Services Board (IFSB), which emphasize the level and quality of bank's capital, minimum liquidity ratios required in short and long terms, governance and risk management. Supervisory authorities in the region were keen to implement these standards and principles and requested TA from METAC and from other TA providers. The countries that benefited from METAC TA were Egypt, Jordan, Lebanon, Sudan, WBG and Yemen.

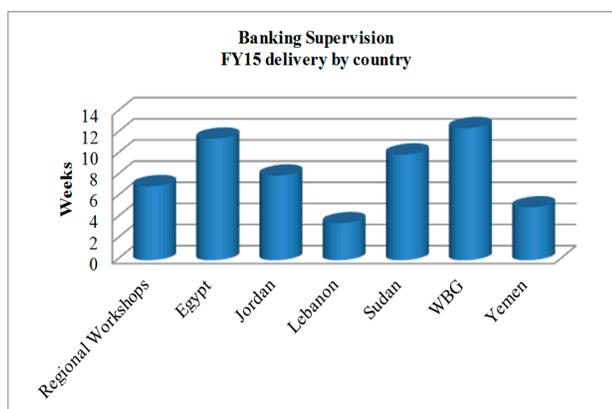
In implementing the RBM approach, METAC activities during FY15 covered four areas in banking supervision: (i) strengthening supervisory framework; (ii) improving regulatory framework; (iii) enhancing credit registry functioning; and (iv) building the capacity of supervisors through workshops and training programs.

Technical Assistance Delivery

Strengthening the Supervisory Framework

Most of the TA provided in banking supervision focused on this area which aimed at transforming the supervisory regimes in some countries from a compliance-based approach to a risk-based and forward looking risk assessment.

- In **Jordan**, the Central Bank of Jordan (CBJ) requested METAC's assistance in enhancing its cross-border and consolidated supervision where a framework for a supervisory college for the largest bank in Jordan was developed. Also, METAC has been assisting the CBJ in developing a Early Warning System (EWS) since FY14, in order to identify any deteriorating indicators for any individual bank and for the banking sector as a whole, and accordingly, intervene at an early stage to address these deteriorations and take appropriate resolution measures.



- In **Lebanon**, METAC completed an assessment of the supervision approach implemented by the Banking Control Commission of Lebanon (BCCL) and provided its recommendations which aimed at reorganizing and restructuring the existing examination manual to upgrade it to a risk-based supervision (RBS) approach. METAC will continue its assistance to the BCCL during FY16 to upgrade the examination manual and provide capacity-building program in RBS.

- In **West Bank and Gaza** METAC's TA to the Palestine Monetary Authority (PMA) is continuing in the area of RBS. An RBS manual was developed with METAC's assistance coupled with capacity-building provided to the staff of the PMA in this domain. This project will continue throughout FY16 to develop the PMA supervisors' skills in RBS and to detect vulnerable banks at an early stage.
- For **Yemen**, METAC provided TA to groups of senior staff from the Central Bank of Yemen (CBY) who visited Beirut, Lebanon and assisted them in developing a medium-term action plan to enhance banking supervision in conventional and Islamic banks in Yemen, where a set of reporting forms and financial statements for Islamic banks were developed.

Improving the Regulatory Framework

Several METAC member countries requested assistance in improving the regulatory framework of the supervisory authorities to further align it to the BCBS recommendations in conventional banks and to the IFSB standards and principles in Islamic banks.

- In **Egypt**, during FY15, METAC assisted the CBE in upgrading its regulations on internal capital adequacy assessment process (ICAAP) and liquidity risk measurement and management and further align them to Basel III standards. This assistance will continue throughout FY16 to review and upgrade other prudential regulations in banking supervision.
- In **Yemen**, METAC assisted in developing draft regulation on risk management and stress testing.

Enhancing Credit Registry Functioning

METAC's TA in credit registry during FY15 was limited to Sudan.

- In **Sudan**, METAC continued its assistance to the Credit Information and Scoring Agency (CIASA), which is a totally-owned agency by the Central Bank of Sudan (CBOS). This assistance aimed to follow up on the implementation of METAC's recommendations to enhance the credit registry functioning in Sudan, and to assist in the development of a credit scoring system as a tool for better assessing credit risk in regularly following up on the implementation of these recommendations and making sure that in addition to banks' clients, Micro-Finance Institutions (MFIs) are also reporting their clients' information and exposures to CIASA.

Capacity-Building in Banking Supervision

METAC's activities in banking supervision were in the form of regional workshops that gathered senior level supervisors from countries in the region and in the form of direct training on n specific banking supervision topics.