



## Briefing Note

This note has been prepared for banking supervision experts and describes their role and responsibilities in the Financial Sector Assessment Program.

If you have questions about the banking supervision assessment, please contact one of the following Bank-Fund staff:

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## Banking Supervision Assessor

### **Purpose and scope of the banking supervision assessment**

The banking supervision assessment is intended to:

- show country authorities how their banking supervisory capacity compares with the Basel Committee's Core Principles for Effective Banking Supervision (BCP), the internationally-accepted benchmark in this area;
- provide the authorities, as well as the Fund and the Bank, input into the assessment of the risks and vulnerabilities of a country's financial system;
- help the authorities identify the developmental needs of bank supervision within their country and make informed policy decisions about needed reforms.

In addition to a formal assessment of the Basel Core Principles, the transparency of banking supervision will be assessed using the Fund's Code of Good Practices on Transparency in Monetary and Financial Policies (MFP Transparency Code). You may also be asked to participate in a broader analysis of the banking sector and an anti-money-laundering assessment.

### **The role of the banking supervision expert**

As a banking supervision expert, you will be responsible for all issues related to banking supervision. You are expected to:

- take an active part in internal mission discussions about potential vulnerabilities in the financial system;
- assess a country's banking supervisory capacity against the Basel Core Principles in accordance with the IMF/WB/BC Guidance Note and template, and the banking supervision module of the MFP Transparency Code;
- coordinate closely with your fellow mission members assessing other modules of the MFP Transparency Code such as securities regulation, payments and monetary policy;
- consult regularly with other experts assessing additional internationally-accepted financial sector standards and codes;
- participate in team meetings, hold your own meetings with authorities, and occasionally participate in meetings with other team members assessing international standards; and
- be solely responsible for the discussions that you will have on site. You should interview as many institutions as you deem necessary within the time available. Your counterparts with the authorities will come primarily from the supervisory agency, but

you also may have discussions with staff other agencies and banks.

Once the first draft of the assessment is completed, you are required to meet with your counterparts in the supervisory agency to ensure the accuracy of the information collected. This also provides them the opportunity to comment on your assessment. Should any disagreements about the assessment remain after these discussions, you are expected to record the authorities views. Usually, the draft assessment is discussed again at the end of the mission, then left with the authorities for further review.

While on mission, you may be asked by the team leader to write on aspects of banking supervisory risks or developmental requirements for the Special Issues section of the FSAP report.

### **Deliverables**

When writing your report, you should make as much use as possible of the responses to the questionnaire, as well as any self-assessment provided by the authorities. At the same time, you must take care that the responses give a true picture of the situation.

With the possible additional issues that may be specified by the team leader, you will be required to produce the following in writing:

- a completed template for the detailed BCP assessment, as well as a template for the summary assessment, which will become the Report on Observance of Standards and Codes (ROSC), and is usually published on the web site of the Fund-Bank;<sup>1</sup>
- a completed template for the banking supervision module of the MFP Transparency Code, unless otherwise determined by the team leader;
- a contribution to the aide mémoire articulating and prioritizing the risks and vulnerabilities you defined and developing recommendations;
- a short summary of important findings for the aide mémoire to be left with the authorities;
- a report on possible vulnerabilities in the financial system resulting from deficiencies in banking supervision; and
- an analysis of areas where improvements in the legal and regulatory framework are needed and how those improvements could be implemented by the authorities.

Later on, you will be asked to provide a summary of the detailed assessment reports (ROSCs) which, after discussion by the Executive Boards of the Fund and the Bank, will be published on their respective web pages.

### **Preparation for an FSAP mission**

Prior to your arrival in the assessment country, you will receive a number of communiqués providing tools and background materials,

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<sup>1</sup> Please note that the authorities are permitted, if they so choose, to publish the CPSIPS and the MFP Transparency Code on the external Bank or Fund websites.

including material sent to and received from the country's banking supervisors to guide your preparatory work.

The mission agenda will be finalized to the extent possible, and provided to you as early as possible. After studying the relevant material for the country in question off-site, you should provide the team leader a list of meetings that you would like to schedule during the mission. This list should include meetings with both the authorities and the private sector; experience indicates that it is best to meet first with the authorities.

To the best of its ability, the mission team will provide you the following materials:

- Background notes on the country
- A draft of the questionnaire to be sent to country officials for your comments and suggestions
- Any replies the officials provide to the above<sup>2</sup>
- The Guidance Note and the template for the BCP
- A self-assessment, if the country has prepared one
- A template for the securities regulations module of the MFP Transparency code. (Code of Good Practices on Transparency in Monetary and Financial Policies; Available at <http://www.imf.org/external/np/mae/mft/index.htm>.)
- Completed, publicly-available BPC assessments from other countries

### **Review of the assessment**

The team leader will submit your assessment, any Special Issues chapters you may have written, and the remainder of the FSAP report to the Fund-Bank for review.<sup>3</sup> During the review process, which may take several weeks to complete, the authorities again will have an opportunity to comment on the draft. If any issues of substance arise, you will be contacted by the Fund or the Bank. The mission leaders will keep you informed of the schedule and any deadlines that pertain to your comments.

You will be able to review your assessment and other contributions before they are finalized.

### **The Final FSAP Report**

Following clearance by the Bank and the Fund, the final FSAP report—the Main FSAP Report, any Special Issues annexes, and the complete set of standards and codes assessments—will be delivered to the authorities. You will receive the final version of your reports.

### **Confidentiality**

All documents prepared by the FSAP mission remain confidential until the FSAP report is finalized. While the Main FSAP report is always confidential, the authorities may choose to publish certain

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<sup>2</sup> The standardized Questionnaire can be found in Annex 3 of the IMF-WB-CPSS Guidance Note.

<sup>3</sup> A roster of external reviewers has been established in banking, insurance, payment and securities to enhance the quality and completeness of the assessments.

other sections such as the ROSCs. The authorities may also petition the Fund and the Bank to publish the detailed assessment reports.

In carrying out your assignment under the FSAP, you must exercise the utmost discretion regarding all official business. You must not, during or after your work as expert in this mission, disclose or use for private advantage any confidential information known to you by reason of this assignment except with the prior written approval of the Fund and the Bank.

Under the terms of your contract with the Fund or the Bank, you are to adhere to the institution's confidentiality protocol. You will be asked to sign a statement confirming your acceptance of the Protocol on Protection of Sensitive Information that will be sent to you with your contract.