



Financial Sector Assessment Program

A joint initiative of the World Bank and the IMF



www.worldbank.org/finance/html/fsap.html

Briefing Note

This note has been prepared for the head of the Banking Supervision Agency and describes the banking supervision portion of the Financial Sector Assessment Program. This note also has been sent to the banking supervision assessor(s) for information.

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

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Country Counterpart for Banking Supervision Assessment

Purpose and scope of the banking supervision assessment

The banking supervision assessment is intended to:

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

If you have completed the BCP assessment, the FSAP assessment will build on that. In addition, the transparency of banking supervision will be assessed using the Fund's Code for Good Practices on Transparency in Monetary and Financial Policies (MFP Transparency Code).

Preparation for an FSAP Mission

The preparation for an FSAP mission is a dynamic process, and you should remain in contact with the Fund-Bank and the banking supervision assessor(s). You also should respond to questions—including formal questionnaires—as soon as possible. If you need to discuss a particular issue prior to the mission team's arrival, please do not hesitate to contact one of the people listed at the end of this Note or the team leader.

Before the mission team's arrival, you will receive two types of materials: those provided for your reference and those to which you should respond.

Materials provided for your reference:

- Documents produced by the Basel Committee and the Fund-Bank relating to the assessment of compliance with Basel Core Principles
- IMF/WB/BCLG Guidance Note for Assessing Observance of the Basel Core Principles
- Documents produced by the Fund on the MFP Transparency Code
- Publicly-available FSAP/BCP assessments from other countries

Materials that you are asked to complete (a contact name is provided together with a suggested deadline within each document):

- A questionnaire on banking supervision and the banking industry in your country.
- The template used by the FSAP teams is the BCP assessment. Please note that completing a self-assessment using this template and the Guidance Note is the single most helpful step you can take in preparing for an FSAP mission. It affords you the opportunity to gather the required assessment information, describes your banking supervisory system, and provides a foundation upon which the FSAP assessor can build. You are advised to focus on identifying and thoroughly describing the strengths and weaknesses of your system(s) rather than the grading.
- A template for the banking supervision module of the Fund's MFP Transparency code
- Translations of relevant laws, regulations, guidelines, and other background material that would help convey your working procedures, policies, activities, etc.
- Information about any planned or in-progress reforms or legislative revisions which would affect banking supervision

Conducting the Principles assessment:

The mission team will conduct a series of meetings with you and banking system participants. If possible, arrangements for these meetings should be made ahead of the mission team's arrival. Your assistance in arranging these meetings will be appreciated. An agenda for at least the first days of the mission should be agreed upon before the mission arrives. You should be aware that the assessment process likely will require extensive discussions with the staff of the bank supervision agency. Please be prepared to devote the necessary staff time to the assessors to ensure timely and accurate completion of the process.

Both the BCP assessment and the banking supervision module of the MFP Transparency Code will be completed in close collaboration with you and your staff. Once the assessments are in draft form, the assessor will meet with you to ensure that the information on which the assessment is based has been understood and interpreted correctly. This is also your opportunity to provide feedback. Comments on the assessment will be recorded in a separate section of the report.

Usually, the draft assessments are discussed at the end of the mission then left with you for further comment.

Review of the Assessment

Following a Fund-Bank review, the assessment is finalized, and delivered to the authorities together with the rest of the FSAP report. You will be kept informed of the review schedule and any deadlines that may apply to your comments by the team leader.

The Final FSAP Report

Once cleared by Fund and Bank senior management, the final FSAP report—the Main FSAP Report, any Special Issues annexes, and the

complete set of detailed assessments of standards and codes—will be delivered to the authorities.

The final BCP assessment has two parts: a summary assessment called the Report on Observance of Standards and Codes (ROSC) and a detailed assessment. Each is subject to the publications policies of the Fund and the Bank as described in the companion note, “FSAP Briefing Note: Objectives, Procedures and Output”.