

World Bank Banking Supervision Survey 2011

1. Entry Into Banking

Question	Annotation
1.1: What body/agency grants commercial banking licenses? Please include the name of the licensing agency. If more than one, please describe the respective licensing roles.	This question requests basic information on the structure of the administrative arrangements for bank licensing. Your possible answers could be for instance: a) the license is granted by the bank supervisory agency, b) the license is officially granted by the Ministry of Finance (or other Ministry) which is required to consult with the bank supervisory agency, c) the license is granted by another State body which is not required to consult with the supervisory agency. More than one agency may be involved e.g. if a bank engages in activities that fall under the purview of more than one type of financial supervision, e.g. deposit taking, credit, investment intermediary, etc. In case of investment activity, the security regulator may be involved, e.g. with regard to market conduct supervision.
1.2: Do you have the authority to take legal action against those entities that undertake banking activities without a given license?	Authority to take legal action means authority under the law to issue legally binding and enforceable directives or orders to individual banks to make them comply with banking laws, regulations or instructions from the supervisor. This question asks whether bank supervisors have authority to act against natural or legal persons who engage in an activity which is reserved exclusively for banks (e.g. deposit taking) without having the required license. This authority can be exercised directly by the licensing agency. Alternatively the agency may need to engage the public prosecutor to institute legal proceedings. The agency may then play an expert witness role for the prosecution, to demonstrate that the activities undertaken were indeed subject to licensing. For instance: were “deposits”, as defined in the banking law attracted by the firm, or was “credit” provided.

<p>1.3: Is more than one license required to carry out commercial banking business (e.g. one for each banking activity, such as deposit taking, consumer lending, etc).</p>	<p>If more than one agency is involved in the licensing procedure for commercial banking, this may entail a need to obtain more than one license (as opposed to a situation where one agency issues the license covering all activities, but only after approval by other involved agencies). In some jurisdictions a bank engaging in securities or insurance broking activities may require separate approval and a license from the securities or insurance regulator, respectively.</p>
<p>1.3.1: If more than one license is needed, please indicate the maximum number required.</p>	<p>The maximum number of licenses would be the total of all licenses required by an individual bank to exercise the full scope of activities permitted to banks. (e.g. a banking license, securities license, insurance license etc.).</p>
<p>1.4: What is the minimum capital entry requirement for commercial bank operations of the following types (in US\$ and/or domestic currency, please state the currency)*</p> <p>a. domestic bank</p> <p>b. subsidiary of a foreign bank</p> <p>c. branch of a foreign bank</p>	<p>This question asks for information on the statutory minimum capital required to obtain a license, in an absolute amount (no ratio). The statutory minimum capital requirement does not preclude higher requirements for specific institutions to buffer risks in the actual activities of the bank. In fact, if a fixed ratio between assets and bank’s own funds is required, the business plan (see below) will typically require much higher capital than the statutory minimum. Also more capital may be needed to buffer specific risks, e.g. in the bank’s proprietary trading portfolio.</p> <p>Across countries, initial capital requirements may differ for foreign-owned institutions compared to domestic institutions. In particular, requirements may be imposed on domestic branches of foreign owned banks, which in a legal sense cannot have capital separate from the head office (the branch and the head office have one and the same balance sheet). The branch may be required to hold “endowment capital”, to protect local creditors (i.e. is available for ring-fencing).</p>
<p>1.4.1: Does the minimum capital entry requirement also vary depending on the nature of the banking businesses that are licensed?</p>	<p>This question relates only to minimum capital as a licensing criterion, not to capital requirements for the ongoing business of the institution after licensing. In the latter case, capital requirements will reflect actual risks in the bank’s portfolio and their volume, and can be a large multiple of entry-requirement capital. In some jurisdictions there are different types of banking licenses requiring different levels of entry-level capital, e.g. depending on geographical or functional scope of activities.</p>

<p>1.4.2: Are the sources of funds to be used as capital verified by the regulatory/supervisory authorities?</p>	<p>Please answer “yes” if the supervisor verifies in practice the source of the funds offered as initial capital/share contributions. Verification is conducted to ensure that the funds are not the proceeds of tax evasion, criminal activity, terrorist activity or money laundering, or to verify that the shareholder has not borrowed the money to buy the shares.</p>
<p>1.4.3: Can the initial disbursement or subsequent injections of capital be done with assets other than cash or government securities?</p>	<p>Examples of such “other assets” could include for instance land, buildings or computer equipment, automobiles, art and other office inventory. .</p>
<p>1.5: Can initial capital contributions by prospective shareholders be in the form of borrowed funds</p>	<p>Please answer “yes” if your legislation allows shareholders to borrow funds to finance their share purchases. Please answer “no” if this is not the case.</p>

<p>1.6: Which of the following are legally required to be submitted before issuance of the banking license?</p>	
<p>Draft by-laws</p>	<p>Draft by-laws provide information on the governance structure, decision making procedures, basic credit policies, Board membership procedures, size of management and generally how the bank is organized.</p>
<p>Intended organizational chart</p>	<p>The organizational chart provides information on the structure of the operational units and reporting lines in the bank.</p>
<p>Structure of Board</p>	<p>Information requested from the applicant might include: the intended number of members, committee structure, required expertise, decision making procedures, access to staff, management and accountant, etc.</p>
<p>Market/business strategy</p>	<p>This might refer to a business plan that demonstrates the business strategy of the bank, including for instance the geographical areas and market segments it intends to serve, types of financial products, pricing, expected timeframe to reach profitability, staffing, plans how to raise capital, set-up of internal audit and controls, etc.</p>
<p>Financial projections for the first three years</p>	<p>This refers to the need for the applicant to show that the bank can become profitable within three years. Financial projections are expected to include balance sheet and profit and loss statement prognoses.</p>
<p>Financial information on main potential shareholders</p>	<p>Financial information on shareholders should be understood to include their personal balance sheets, income, expenditures, tax returns, etc, in order to allow supervisory assessment of their ability to be a source of financial strength for the bank, and whether they could have purchased their shares out of their own wealth.</p>
<p>Background/ experience of future Board directors</p>	<p>This should be understood to include for example: information on education, business experience, financial experience, management experience, personal standing, any evidence of tax issues or criminal records.</p>

<p>Background/experience of senior managers</p> <p>Source of funds to be used as capital</p>	<p>This should be understood to include similar information on members of the executive management, in order to allow a supervisory assessment of fit and proper qualities required from a bank manager.</p> <p>This should be understood to include information that allows verification by the supervisors that the funds used to purchase the shares have been legally acquired, and are not the proceeds of any criminal or tax-evasion activity.</p>
<p>1.7: In the past five years (2006-2010), how many applications for commercial banking licenses from domestic entities (i.e. 50% or more domestically owned) have been</p> <p>a) Received,</p> <p>b) Denied,</p> <p>c) Withdrawn,</p> <p>d) Accepted?</p>	<p>This intends to obtain basic recent information on the operation of the licensing process. For this question, “application” is considered to mean the formal, written submission of the request to grant a license, with all required documentation.</p> <p>“Received, “Denied”, “Withdrawn” and “Accepted” all refer to the formal communications between applicant and licensing body, not informal approaches.</p>

<p>1.8: Are foreign entities prohibited from entering through the following?</p> <p>a) Acquisition</p> <p>b) Subsidiary</p> <p>c) Branch</p> <p>d) Joint venture</p>	<p>Foreign entity is defined as an entity of which more than 50% of the voting shares, or other forms of control, are held by a non-resident.</p> <p>Acquisition means any form of acquiring control by a foreign entity over an existing domestic bank, including through majority share ownership (>50 % of voting rights), as well as by acquiring control through other means, for example by having the right to appoint a majority of Board members or managers.</p> <p>This option refers to foreign entities creating (incorporating) a new bank in the jurisdiction, through the normal company law mechanisms for setting up a legal entity, and through an application for a new banking license. The management of the newly created bank would be controlled by the foreign entity, either by majority share ownership or through other means, e.g. by having the right to appoint a majority of Board members or managers.</p> <p>A branch is legally part of the foreign bank, therefore is not a separate legal entity and does not have a separate balance sheet. It is controlled from abroad, and does not have a separate Board, although it may have locally recruited management. In some countries it may require that the branch have separate “endowment capital”.</p> <p>A joint venture is a de novo entity in which a foreign and domestic shareholders jointly own the company and share control.</p>
<p>1.9: If acquisitions of domestic banks by foreign entities are not prohibited, what is the maximum percentage of foreign ownership that is legally allowed?</p>	<p>The question aims to find out whether share ownership by the foreign shareholder/owner, while permitted in principle, is subject to any quantitative limitation in the host jurisdiction. If there is no such limitation, indicate that the maximum allowed percentage is 100 percent. Limits can apply to individual banks as well to the entire banking system.</p>

<p>1.10: In the past five years (2006-2010), how many applications from foreign entities to enter through the acquisition of a domestic bank were</p> <p>a) Received</p> <p>b) Denied</p> <p>c) Withdrawn</p> <p>d) Accepted</p>	<p>Acquisition means any form of acquiring control by a foreign entity of an existing domestic bank, including through majority share ownership (>50 % of voting rights), as well as by acquiring control over management through other means, e.g. by having the right to appoint a majority of Board members or managers.</p> <p>For the definition of “Received”, “Denied”, “Withdrawn”, “Accepted”, see above.</p>
<p>1.11: In the past five years (2006-2010), how many applications from foreign entities to enter through a new banking subsidiary were</p> <p>a)Received</p> <p>b) Denied</p> <p>c) Withdrawn</p> <p>d) Accepted</p>	<p>This option refers to foreign entities creating (incorporating) a new bank in your jurisdiction, through the normal company law mechanisms and requirements for setting up a legal entity, and through an application for a new banking license. The management of the newly created bank would be controlled by the foreign entity, either by majority share ownership or through other means, e.g. by having the right to appoint a majority of Board members or managers.</p> <p>For definitions of these terms, see above.</p>
<p>1.12: In the past five years (2006-2010), how many applications from foreign banks to enter by opening a branch were</p> <p>a) Received</p> <p>b) Denied</p> <p>c) Withdrawn</p> <p>d) Accepted</p>	<p>A branch is legally part of the foreign bank, and therefore is not a separate legal entity and does not have a separate balance sheet. It is controlled from abroad, and does not have a separate Board, although it may have locally recruited management.</p> <p>See annotation above.</p>

<p>1.13: What were the primary reasons for denial of the applications?</p> <p>a) Capital amount or quality</p> <p>b) Banking skills</p> <p>c) Reputation</p> <p>d) Incomplete application</p> <p>e) Other</p>	<p>If some applications were denied, please indicate the most common reasons for the denials. If no applications were denied, leave blank.</p> <p>The term capital can refer to two levels of capital: the statutory minimum required to obtain a license, and the actual level of capital needed to buffer the risks in the bank’s balance sheet, as set out in the business plan. Please clarify.</p> <p>This will typically refer to the skills of the management, but could also refer to the skills and qualities of the Board members, as needed to exercise oversight over the management, or of senior managers, e.g. CFO, chief credit officer, chief trader, chief risk officer, internal auditor, etc. Please specify which of the above is the most common.</p> <p>Again, this can apply to main shareholders, management as well as Board members and senior officers, as indicated above.</p> <p>The regulator/supervisor determined that not all information has been provided adequately, or that it is formally complete, but the content is insufficient to come to an assessment whether all licensing requirements are met.</p> <p>Please specify the most common reason for denial other than those listed above. This could for instance be used to indicate refusal based on inadequacy of the business plan/strategy/business model, governance structure, etc.</p>
<p>1.14: How long (in number of months) has it taken typically for a new banking license to be issued, from receipt of the application to the final disposition?</p>	<p>The typical period should be calculated as an average over all received applications in the last five years (2006-2010). Please calculate the typical period as the number of months from the receipt of the formal written application, including full documentation, to the final disposition (denial, acceptance). Please indicate also if there were major deviations from this average, e.g. for certain types of banks.</p>

2. Ownership	
Question	Annotation
<p>2.1: Please state the bank ownership level thresholds as of end 2010 (if they exist) that would trigger evaluation and approval requirements by the supervisor (e.g. requirements to obtain regulatory approval once the share ownership by an individual , family or group reaches a certain percentage)</p>	<p>This question tries to determine to what extent the supervisor requires information on significant shareholders in the bank, and on the threshold-level of share ownership above which information must be provided in order to obtain supervisory approval of the shareholders</p>
<p>2.2: What are the requirements for evaluation/approval of significant bank shareholders?</p> <p>a) Minimum level of education</p> <p>b) Minimum level of financial and/or banking expertise</p> <p>c) Financial capacity to support bank capital</p>	<p>This question asks information on the criteria applied to assess whether shareholders can be considered suitable by the supervisor.</p> <p>This should mention formal training, e.g. university level training.</p> <p>This could require information on a specific type/level of training and/or minimum number of years of financial sector experience.</p> <p>This seeks information on the shareholder’s balance sheet and income statement/personal net worth.</p>

<p>d) No criminal record</p> <p>e) No bankruptcy record</p> <p>f) Lack of conflict of interest</p> <p>g) Other (specify)</p>	<p>This refers to e.g. formal police/judicial records of criminal convictions.</p> <p>This refers to formal court declarations of bankruptcy of the shareholder, or possibly also involvement in, or responsibility for bankruptcy in a company in which the shareholder exercised a management role.</p> <p>The supervisor may need to establish that the shareholder will not be hindered in his/her governance role in the bank due to outside business interests that may not coincide with those of the bank.</p>
<p>2.3: Is there a maximum percentage of a bank's equity that can be owned by a single owner?</p>	<p>The term "single owner" includes groups or families/individuals acting in a coordinated fashion.</p>
<p>2.3.1: If yes, what is the percentage as of end 2010?</p>	<p>No annotation required</p>
<p>2.3.2: Please specify any differences that exist for domestic versus foreign owners</p>	<p>"Domestic owners" are residents who own more than 50 percent of voting shares, or exercise control by other means.</p> <p>"Foreign owners" are non-residents who own more than 50 percent of voting shares, or exercise control by other means.</p>

<p>2.4: Does the regulator have the legal authority to oppose the ultimate (beneficial) owner when assessing bank ownership? Yes?/No?</p>	<p>The regulator/supervisor may have an obligation to ascertain the identity of the ultimate beneficial owner, and refuse approval, if this beneficial owner does not meet requirements of suitability, and if the beneficial owner is able to exercise power over the person/company formally holding the legal ownership of the shares on his behalf.</p>
<p>2.5: Do laws or regulations require the ultimate (beneficial) owner and controller of a bank to be publicly disclosed? Yes?/No?</p>	<p>Public disclosure implies e.g. publication in the media, on a website or availability for inspection at a publicly accessible and disclosed location</p>
<p>2.5.1: Can related parties own capital in a bank? Yes?/No?</p>	<p>Related parties are defined as entities or persons linked via collective or common ownership, financial linkages or interdependency, or generally whereby one party significantly influences the other such that one of the parties is less able to pursue its own independent interest.</p> <p>In this question, “capital” means equity participation.</p>
<p>2.5.2: If yes, what are the maximum percentages associated with the total ownership by a related party group (e.g. family, business associates, etc)?</p>	<p>What maximum percentage of the shares can be held by the group of related parties as a whole?</p>
<p>2.6: Can non-financial firms own voting shares in commercial banks? Please see options provided and select options that best characterize your banking sector.</p> <p>a) Non-financial firms may own 100% of the equity in a commercial bank</p> <p>b) Non-financial firms may own 100% of the equity in a commercial bank but prior</p>	<p>Non-financial firms are firms that are neither banks, securities dealers or brokers, insurance underwriters or brokers, finance companies, hedge funds or similar investment institutions.</p> <p>Prior authorization/approval means authorization/approval by the supervisor.</p>

<p>authorization/approval is required</p> <p>c) Limits are placed on ownership of banks by non-financial firms such as maximum percentage of a commercial bank's capital or shares.</p> <p>d) Non-financial firms cannot own any equity investment in a commercial bank.</p>	
<p>2.6.1: What fraction of capital in the largest 10 banks (in terms of their domestic assets) is owned by commercial/industrial and/or financial conglomerates? If there are fewer than 10 banks, use that number in your answer. Your response should reflect the situation as of end 2010.</p>	<p>Mixed conglomerates can be either commercial/industrial or financial in nature. Commercial/industrial conglomerates are groups of companies which are predominantly commercially or industrially oriented, but may contain at least one regulated financial entity (which is more than merely a "captive" entity doing business only on behalf of the group) in some part of their corporate structure. A financial conglomerate is any group of companies under common control whose exclusive or predominant activities consist of providing significant services in at least two different financial sectors (banking, securities, insurance).</p>
<p>2.7: Can non-bank financial firms (e.g. insurance companies, finance companies, etc.) own voting shares in commercial banks? Please see the options provided and select the option that best characterizes your banking sector.</p> <p>a) Nonbank financial firms may own 100% of the equity in a commercial bank;</p>	<p>For a definition of "non-financial firm", see above Q2.6.</p> <p>In the context of this question, "equity" refers to voting shares.</p>

<p>b) Nonbank financial firms may own 100% of the equity in a commercial bank, but prior authorization or approval is required;</p> <p>c) Limits are placed upon ownership of banks by nonbank financial firms, such as a maximum percentage of a commercial bank's capital or shares;</p> <p>d) Nonbank financial firms cannot own any equity investment in a commercial bank.</p>	
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3. Capital	
Question	Annotation
<p>3.1: Which regulatory capital adequacy regime did you use as of end 2010 and to which banks does each regime apply (if using more than one regime)?</p> <p>a) Basel I</p> <p>b) Basel II</p>	<p>Basel I reflects the system as laid down by the Basel Committee on Banking Supervision in 1988, and consists of a basic system of capital requirements for a limited list of risk-weighted assets, off-balance sheet risks, and market risk. The Market Risk Amendment to the 1988 Basel I framework allowed for a system imposed by regulators (the so-called standardized approach), as well as a system based on eligible banks' own internal models for measuring risk.</p> <p>Basel II, adopted in 2006, with its three-pillar system (Pillar 1: capital adequacy, Pillar 2: supervisory practices and bank capital management, and Pillar 3: disclosure and market discipline) reflects a more sophisticated approach to the management of banks' risks and to supervision. It places more responsibility on the banks for their own</p>

<p>c) Leverage ratio</p> <p>d) Other (please explain)</p>	<p>capital and risk management. Within Pillar 1, banks could apply for permission to apply internal risk measurement methods for calculating capital adequacy requirements.</p> <p>A leverage ratio, or “gearing ratio”, requires that banks maintain a regulatory minimum level of regulatory capital in relation to their balance sheet total, regardless of the different riskiness of different groups of assets. Under a leverage ratio, e.g. government debt as well as commercial mortgages count for the full amount when calculating total assets.</p> <p>Other systems could include e.g. a combination of a risk weighted approach (different capital requirements for different classes of assets) plus a leverage (or “gearing”) ratio approach (together: a “belt and braces” approach)</p>
<p>3.2: Which risks are covered by the current regulatory minimum capital requirements in your jurisdiction? Please specify all applicable risks.</p> <p>a) Credit risk</p> <p>b) Market risk</p> <p>c) Operational risk</p> <p>d) Other risks</p>	<p>If your jurisdiction applies Basel II, please specify the risks listed in Pillar 1 and Pillar 2 of Basel II as this existed at the end of 2010 (not including subsequent changes to Basel II adopted by the Basel Committee).</p> <p>This refers to possible losses arising from the unwillingness or inability of a borrower to pay back in full principal and/or interest owed under the loan. These can include direct corporate or consumer loans, commercial and residential mortgages, interbank exposures, government exposures, guarantees.</p> <p>Market risk refers to the risks in banks’ own positions in equities, interest rate related instruments (e.g. bonds; corporate and government) commodities, and foreign exchange risk (although frequently seen as a separate risk-category).</p> <p>Operational risk is defined in Basel Committee documents as the risk of loss as a result of inadequate or failed internal processes, people and systems or from external events. This definition is considered to include legal risk (fines, penalties, punitive damages), but to exclude strategic and reputational risk.</p> <p>Examples of “other risks” include credit concentration risk and counterparty credit risk, both mentioned in Pillar 2 of Basel II.</p>

<p>3.3.1: What was the minimum required risk-based regulatory capital ratio as of end</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>This question refers to the minimum capital adequacy ratios required on the basis of Basel I and Basel II. Both required a minimum ratio of 8 %. Many countries imposed higher minima, to reflect the perceived greater riskiness of their banking systems. Markets also de facto require higher ratios in order to do business in the interbank market.</p>
<p>3.3.2: What was the minimum required non-risk-based regulatory capital ratio as of end</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>This question asks for the leverage (“gearing”) ratio, if used in your jurisdiction, required of banks regulatory capital as a percentage of total assets). Regulatory capital is capital as defined by the regulator, usually based on the Basel I Accord of 1988, and typically including so-called Tier I and Tier II capital. Tier I includes paid up share capital, share premiums (positive difference between selling price of the new shares, over the nominal value), retained earnings and disclosed reserves. Tier II includes other capital elements such as general provisions and subordinated debt. Tier III (abolished under Basel III) was permitted to a certain limit, to cover market risks.</p>
<p>3.4.1: What was the actual risk-based capital ratio of the banking system as of end</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>This question asks for the capital adequacy ratios (Tier I, plus Tier II, and, as currently still applicable, Tier III capital) of all banks in the system.</p> <p>The “banking system” is defined as all commercial banking institutions holding a banking license and subject to full banking supervision.</p>
<p>3.4.2: What was the actual non-risk-based capital ratio of the banking system as of end</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>This question asks for the capital to non-risk-weighted assets held by all banks in the system.</p>

<p>3.5: What was the actual Tier I capital ratio of the banking system as of end</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>This question asks for the ratio between Tier I capital, defined above, and also named “Core Capital”,</p>
<p>3.6: The regulatory minimum capital requirements are applied</p> <p>a) on a “solo” basis at the individual bank level</p> <p>b) on a consolidated basis at every banking group or subgroup level,</p> <p>c) on a consolidated basis for the non-bank holding company (if it exists) that is the parent entity of a bank,</p> <p>d) on a “solo” basis at the holding company level.</p>	<p>The requirements are applied only on the exposures of the individual bank, not taking into account any exposures incurred through its subsidiaries, or, on a pro rata basis, in companies in which the bank holds a minority interest.</p> <p>The requirements are applied to subgroups within the conglomerate, taking into account exposures held in subsidiaries, or, on a pro rata basis, in minority interests.</p> <p>The requirements are applied to the whole of the group, including the parent holding company of the bank, even when the holding company is not itself holder of a banking license.</p> <p>When it holds a banking license of its own, the holding company itself is subject to capital adequacy requirements, without taking into account exposures of other group companies (including banks).</p>
<p>3.6.1: Do you require banks to perform an internal assessment of their capital adequacy against their economic capital?</p> <p>Yes?/No?</p>	<p>The banks’ economic capital is defined as the bank’s own internal assessment of the true amount of capital needed to offset the risk in a particular business activity, as perceived by the bank. This is to be distinguished from the regulatory capital adequacy requirements which set regulatory requirements on the actual capital buffer the bank must hold on its balance sheet against its risks.</p>

<p>3.6.2: If so, do you review internal assessments performed by banks?</p> <p>Yes?/No?</p>	<p>The term “review” here refers to a substantive, in-depth examination of the banks’ assessment.</p>
<p>3.7: Does your agency have the legal authority to require additional capital that is over-and-above the minimum required capital for individual banks if deemed necessary?</p> <p>Yes?/No?</p>	<p>Having such a legal authority means that the law clearly assigns such a power to the agency.</p>
<p>3.8: Do you apply different risk weights than those in the Basel Committee’s original Basel I framework for any material exposures (e.g. corporate lending, mortgage loans, consumer loans, loans to governments, etc)?</p> <p>Yes?/No?</p>	<p>The risk weights (coefficients to be applied against the nominal amount of the risk asset category on the balance sheet) in Basel I for credit risk are 0% for a) cash, b) claims on central governments and central banks denominated in local currency and funded in that currency, c) for other claims on OECD central governments and central banks, d) for claims collateralized by cash, or OECD central government securities and, or guaranteed by OECD central governments 0, 10, 20 or 50% (at national discretion) for a) claims on multilateral development banks and claims guaranteed by, or collateralized by securities issued by such banks, b) Claims on banks incorporated in the OECD and claims guaranteed by OECD incorporated banks, c) claims on securities firms incorporated in the OECD subject to comparable supervisory and regulatory arrangements, including in particular risk based capital requirements, and claims guaranteed by such securities firms, d) Claims on banks incorporated in countries outside the OECD with a residual maturity of up to one year, and such claims guaranteed by banks outside the OECD, e) Claims on non-domestic OECD public sector entities excluding central government, and claims guaranteed by or collateralized by securities issued by such entities, f) cash items in process of collection.</p> <p>50%: Residential mortgages</p> <p>100%: a) Claims on the private sector, b) claims on banks outside the OECD with a residual maturity of over 1 year, c) Claims on central government outside the OECD (unless in local currency), d) Claims on</p>

	public sector companies, e) premises, plant, equipment and other fixed assets, f) real estate and other investments (including non-consolidated investment participations in other companies, g) capital instruments issued by other banks (unless deducted from capital), h) all other assets.
3.9: In case you plan to move to the Basel II framework, what is the target calendar year of adoption?	No annotation required
3.10: What variants are offered to banks in calculating capital requirements for credit risk?	The Basel II framework provides a menu of approaches to credit risk, depending on the level of sophistication of the banking system.
a) simplified standardized approach (SSA),	The simplified standardized approach is very similar in methodology to the Basel I Accord, but with additional risk weight categories, and with the possibility of having a risk weight of 150% for claims on countries with a rating of 7 in the OECD export credit risk scoring system.
b) Standardized approach (SA)	The standardized approach uses a similar methodology as Basel I, but a) with an expanded range of risk categories, b) with risk weights based on ratings by external credit rating agencies, and c) allowing for the use of credit risk mitigation techniques.
c) Foundation internal ratings base approach (F-IRB)	The foundation IRB applies regulator-determined coefficients for probability of default (PD), loss given default (LGD), exposure at default (EAD), and in some cases maturity (M). These figures are subsequently slotted into banks' own internal rating based systems, in order to produce a capital requirement.
d) advanced internal ratings based approach (A-IRB)	In this approach, qualifying banks are permitted to use their own model-based estimates of PD, LGD, and EAD in the calculation of their risk exposures.

<p>3.11: What was the impact of moving to Basel II on the overall regulatory capital level of the banking system? Please select the option that best characterizes the situation in your jurisdiction:</p> <p>a) Increased substantially;</p> <p>b) Increased slightly;</p> <p>c) Neutral/little change;</p> <p>d) Decreased slightly</p> <p>e) Decreased substantially</p>	<p>As broad guidance: please indicate “neutral/little change” if the overall change in regulatory capital level in the banking system was smaller than [5] percent of existing capital buffers, decreased/increased “slightly” if the change in regulatory capital level was between [5] and [10] percent, and decreased/increased “substantially” if the change in the regulatory capital level was more than [10] percent.</p>
<p>3.12: What is the regulatory leverage ratio that you are using based on:</p> <p>a) minimum capital to asset multiples</p> <p>b) maximum assets to capital multiples</p> <p>c) Other; please explain</p>	<p>Total assets may be no more than (x) times capital.</p> <p>Capital must be no lower than (x) percent of assets.</p>
<p>3.13: The leverage ratio is applied</p> <p>a) on a solo basis at the individual bank level</p> <p>b) on a consolidated basis at every banking group or subgroup levels</p>	<p>The ratio is only calculated for the individual bank, not counting exposures incurred through subsidiaries and pro rata consolidated minority interests.</p> <p>The ratio is calculated for every banking group or subgroup, taking into account exposures through subsidiaries and pro rata consolidated minority interests. Consolidation can also take place at the level of a</p>

<p>c) On a consolidated basis for the non-bank holding company (if it exists) that is the parent entity of a bank</p>	<p>subgroup, e.g. at a regional level.</p> <p>The non-bank parent holding company can be included in the consolidation ("upwards consolidation") to gain a full view of the exposures within the group. In this way, the nonbank holding is subjected to bank capital requirements, also if it has no banking license of its own.</p>
<p>3.14: Which concept of capital is used in calculating the leverage ratio?</p> <p>a) total equity capital</p> <p>b) total regulatory capital</p> <p>c) Only Tier I capital</p> <p>d) Other (please explain)</p>	<p>Shareholders' equity</p> <p>Tier I and Tier II capital (plus Tier III as applicable in a bank that has market risk exposures; see paragraph II a of the 1998 Market Risk Amendment to the 1988 Basel I Accord; Tier III is abolished in Basel III). See above under 3.5 for a description of Tier I capital; Tier II capital, which may not be larger than Tier I, can comprise undisclosed reserves, revaluation reserves, general provisions/general loan loss reserves, hybrid debt/capital instruments, and subordinated term debt.</p> <p>See above under 3.5 for a description of Tier I capital.</p>
<p>3.15: Are off-balance sheet items included (either in notional amounts or risk weighted) in assets when calculating the leverage ratio? Yes?/No?</p>	<p>Also under the risk based Basel I and Basel II Accords, off-balance sheet items are recognized as a source of real risk, and therefore must be backed by capital.</p>
<p>3.16: What was the actual leverage ratio for the banking system as of end of</p> <p>2008</p> <p>2009</p>	<p>The question asks for the leverage ratio for the whole banking system per year end. This should be calculated as the sum of total capital divided by the sum of the total assets of the banks in the system. The banking system should be defined as all institutions holding a banking license and subject to full banking supervision.</p>

2010	
<p>3.17: Which of the following are legally allowed in regulatory capital and which are the minimum (or maximum percentages)?</p> <p>a) common equity</p> <p>b) Tier I</p> <p>c) Tier II</p> <p>d) Tier III</p> <p>e) Other (please explain)</p>	<p>Common stock, retained earnings and additional paid in equity.</p> <p>See above under 3.5 for a definition of Tier I capital</p> <p>See above under 3.14 for a definition of Tier II capital</p> <p>See above under 3.14 for a brief definition of Tier III capital; also see the 1998 Market Risk Amendment to the Basel I Accord (Basel III abolishes Tier III capital).</p>
<p>3.18: Which of the following items are allowed as part of Tier I capital and in what percentages? Please mark appropriate responses with an “x”.</p> <p>a) Hybrid debt capital instruments</p> <p>b) Asset revaluation gains (or revaluation reserves)</p> <p>c) Subordinated debt</p>	<p>Hybrid debt/equity capital instruments as defined in the Basel Accord are instruments that are a) unsecured, subordinated and fully paid up, b) not redeemable at the initiative of the holder or without prior regulatory consent, c) available to participate in losses without the bank being obliged to cease trading, d) although the capital instrument may carry an obligation to pay interest, it should allow debt service obligations to be deferred when the profitability of the bank would not support payment.</p> <p>These can typically arise through revaluation of fixed assets, such as premises, and from revaluation of long held equities.</p> <p>Subordinated debt is debt that needs only be repaid as the last class of creditors, after all other creditors have been repaid, and before any</p>

	residual value of assets over liabilities is distributed to shareholders.
<p>3.18.1: Which of the following items are allowed as part of Tier II capital and in what percentages? Please mark appropriate responses with an “x”.</p> <p>a) Hybrid debt capital instruments;</p> <p>b) General provisions;</p> <p>c) Asset revaluation gains (or revaluation reserves);</p> <p>d) Subordinated debt.</p>	For explanations of these terms, see previous question.
<p>3.18.2: What fraction of revaluation gains is accepted as capital?</p>	Basel I specifies that a discount of 55% must be taken on “latent” revaluation reserves, mainly on longstanding equity holdings, to reflect the volatility of such revaluations
<p>3.18.3: Are the following items deducted from regulatory capital?</p> <p>a) Goodwill</p> <p>b) Deferred tax assets</p> <p>c) Intangibles</p> <p>d) Unrealized losses in fair value exposures</p> <p>e) Investment in the capital of certain banking financial and securities entities which are outside the scope of</p>	<p>Goodwill is the expected profit making capacity of the institution; while this may have “value” for e.g. a takeover partner.</p> <p>Deferred tax assets: expected tax refunds e.g. as a result of losses suffered.</p> <p>Goodwill and other intangibles such as intellectual property, brand names, etc.</p> <p>Unrealized losses are book losses that have not been taken through the profit and loss statement.</p> <p>These are also known as “cross-holdings” of shares between two companies: each company holds shares in the other,</p>

consolidation	
4. Activities	
Question	Annotation
<p>4.1: What are the conditions under which banks can engage in securities activities?</p> <p>a) A full range of these activities can be conducted directly in banks;</p> <p>b) A full range of these activities are offered, but all or some of these activities must be conducted in subsidiaries, or in another part of a common holding company or parent;</p> <p>c) Less than the full range of activities can be conducted in banks, or subsidiaries, or in another part of a common holding company or parent;</p> <p>d) None of these activities can be done in either banks or subsidiaries, or in another part of a common holding company or parent.</p>	<p>Broad distinctions need to be made between securities activities that do not entail risks for the bank itself, e.g. brokerage (which leaves the risk with the customer), and trading for the bank’s own account (proprietary trading) and at its own initiative, and taking positions as a result of e.g. a “bought deal”, where a bank takes temporary ownership of securities it has helped a client issue, pending resale to investors. Other investment activities include investment advice and fund management, venture capital activities, securitization, certain activities associated with mergers and acquisitions, helping clients issue debt or equities, etc.</p> <p>Even if permitted by the regulator to be performed within the bank, many institutions set up subsidiaries to perform specific securities activities</p> <p>This implies that the activities do not appear on the balance sheet of the bank, but on the balance sheet of the subsidiary, or other group entity.</p> <p>No additional annotation required</p> <p>No additional annotation required</p>

<p>4.2: What are the conditions under which banks can engage in insurance activities?</p> <p>a) A full range of these activities can be conducted directly in banks;</p> <p>b) A full range of these activities are offered, but all or some of these activities must be conducted in subsidiaries, or in another part of a common holding company or parent;</p> <p>c) Less than the full range of activities can be conducted in banks, or subsidiaries, or in another part of a common holding company or parent;</p> <p>d) None of these activities can be done in either banks or subsidiaries, or in another part of a common holding company or parent.</p>	<p>This questions refers to any insurance activity undertaken by a bank, i.e. underwriting for its own risk, or brokering for the risk of an external insurance company. See annotation above.</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>4.3: What are the conditions under which banks can engage in real estate activities?</p> <p>a) a full range of these activities can be conducted directly in banks;</p>	<p>Real estate is not in and of itself a banking or banking ancillary business. However, in some countries banks are permitted to engage in real estate activities (excluding project development) for their own account. This flows from the fact that banks frequently possess portfolios of real estate properties, as a result of foreclosures. The management of these portfolios can require an in-house real estate brokerage.</p> <p>When banks engage in real estate activities, these are often placed in separate subsidiaries. In some cases, this is to simplify accounting and management practices. In some cases, having these activities in subsidiaries is a requirement. The question is trying to establish whether this is the case in your jurisdiction.</p>

<p>b) A full range of these activities are offered, but all or some of these activities must be conducted in subsidiaries, or in another part of a common holding company or parent;</p> <p>c) Less than the full range of activities can be conducted in banks, or subsidiaries, or in another part of a common holding company or parent;</p> <p>d) None of these activities can be done in either banks or subsidiaries, or in another part of a common holding company or parent.</p>	<p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>4.4: What are the conditions under which banks can engage in non-financial businesses except those businesses that are auxiliary to banking business (e.g. IT company, debt collection company, etc.)</p> <p>a) non-financial activities can be conducted directly in banks</p> <p>b) non-financial activities must be conducted in subsidiaries, or in another part of a common holding company or parent</p> <p>c) Non-financial activities may be conducted in subsidiaries, or in another part of a common holding company or parent, but</p>	<p>Non-financial activities include activities other than banking, securities, insurance, investment banking, hedge funds, and other so-called auxiliary activities. Conditions to which the question refers might include placing the activity in a separate entity, requiring additional capital or liquidity buffers, enhanced oversight, etc.</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>

<p>subject to regulatory limit or approval.</p> <p>d) None of these activities can be conducted in either banks or subsidiaries, or in another part of a common holding company or parent.</p>	<p>No annotation required</p>
<p>4.4.1: Can banks own voting shares in non-financial firms? Please mark the option that best characterizes the situation in your jurisdiction.</p> <p>a) A bank may own 100% of the equity in any non-financial firm;</p> <p>b) A bank may own 100% of the equity in a non-financial firm but ownership is limited based upon a bank's equity capital;</p> <p>c) A bank can only acquire less than 100%; if so, please mention the maximum % which can be owned;</p> <p>d) A bank may not have any equity investment in a non-financial firm whatsoever.</p>	<p>Non-financial firms are defined above.</p> <p>Some jurisdictions allow bank ownership of equity in non-financial firms subject to prior supervisory approval. Usually limits are applicable.</p> <p>This rule could for instance say that banks may own shares in non financial companies, provided the share in the company does not exceed (x percent) of the company's shares, and does not exceed (x) percent of the bank's own funds.</p> <p>No additional annotation required</p> <p>An absolute prohibition is relatively rare, although approval may be needed and limits imposed.</p>

<p>4.5: In your jurisdiction, what type of financial conglomerate structures involving banks are allowed?</p> <p>a) Conglomerates whose parent is a bank;</p> <p>b) Conglomerates whose parent is a non-bank financial institution (e.g. insurance company or securities firm);</p> <p>c) Conglomerates whose parent is a non-financial institution (e.g. non-operating financial holding company)</p>	<p>.</p> <p>No annotation required.</p> <p>No annotation required</p> <p>A non-operating holding company is a company the only activity of which consists of holding shares in operating companies, and therefore does not conduct other activities of its own.</p>
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5. External auditing requirements

Question	Annotation
<p>5.1.1: If yes, does the external auditor have to</p> <p>a) Obtain a professional certification or pass an exam to qualify as such?</p> <p>b) Register with an appropriate public and/or</p>	<p>No annotation required.</p> <p>Accountants and auditors (CPAs and similar qualifications) are often required to be registered by their professional organization, the</p>

<p>professional body?</p> <p>c) Have a minimum required bank auditing experience?</p> <p>d) Be approved or reviewed by the supervisor (e.g. by having a pre-defined list of approved auditors or by providing written approval)</p>	<p>government or the supervisor (in order to be permitted to audit banks). Examples are the UK Association of Chartered Certified Public Accountants and the American Institute of Certified Public Accountants. Auditing banks is a highly complex activity, requiring a high level of expertise. Some jurisdictions require that an external auditor of a bank be approved by the supervisor. Others do not. Some supervisors compile lists of pre-approved bank auditors, some do not.</p> <p>Typically a minimum number of years of experience will be required.</p> <p>No annotation required.</p>
<p>5.1.2.: Are specific requirements for the extent or nature of the audit spelled out?</p> <p>Yes?/No?</p>	<p>“Spelling out” means that there is a regulation that specifies the minimum requirements for the extent or nature of the audit.</p>
<p>5.2: Are there mandatory rotation requirements (i.e. limits on the number of consecutive years audited) in place for the</p> <p>a) Lead auditor</p> <p>b) Auditing firm</p>	<p>This question asks whether the regulator requires that the bank change its auditing firm from time to time.</p> <p>Lead auditor is usually a partner, or senior member of the firm that has contracted to perform the audit, under whose guidance and responsibility other accountants of the firm may participate in the work.</p> <p>No annotation required</p>

<p>5.3: Are banks required to promptly report to the banking supervisor any change of external auditor and the reasons for the change?</p> <p>Yes?/No?</p>	<p>No annotation required</p>
<p>5.3.1.: Are banks required to nominate more than one external auditor?</p> <p>Yes?/No?</p>	<p>This refers to a possible requirement to have more than one auditing firm. Typically more than one physical person will be involved in performing the audit, even if there is only one firm involved.</p>
<p>5.4.: Do laws or regulations require auditors to conduct their audits in accordance with International Standards on Auditing (ISA)?</p> <p>Yes?/No?</p>	<p>No annotation required</p>
<p>5.5: Do regulations explicitly prohibit auditing firms from providing non-audit services to the banks whose financial accounts they audit?</p> <p>Yes?/No?</p>	<p>Auditing firms can be subject to conflict of interest when providing auditing services, i.e. in order to investigate the true and fair financial position of the company, and at the same time providing e.g. management advice, or advice on how to structure financial products. The latter activity may not have as its primary objective the transparency of the bank's financial administration and disclosures.</p>
<p>5.6: Is the audit report on the financial statements of the bank required to be publicly disclosed together with these financial statements?</p> <p>Yes?/No?</p>	<p>Public disclosure can imply e.g. publication of the accounts (e.g. balance sheet, profit and loss account, and the auditor's statement) in widely read news media, on websites, or publication that these documents are available to the public for inspection at a specified location.</p>

<p>5.7.: Do supervisors receive a copy of the following</p> <p>a) The auditors' report on the financial statements;</p> <p>b) The auditors' letter to the bank's management</p> <p>c) Other communication to the audit committee</p>	<p>The auditor's report provides the auditor's opinion on whether the company's financial statements present a true and fair view of the company's financial condition. As needed the auditor's report may contain qualifications to the opinion.</p> <p>The management letter is a usually confidential set of recommendations of the auditor to the company on administrative and managerial issues that should be addressed by the management of the company. The management letter usually accompanies the final report issued by the auditor to the company.</p> <p>No annotation required</p>
<p>5.8.: Are auditors required to promptly inform banking supervisors when they intend to issue qualified opinions to the accounts? Yes?/No?</p>	<p>Qualified opinions can impact the confidence in the bank.</p>
<p>5.8.1: Are auditors required to promptly inform banking supervisors when they identify information that affects the safety and soundness of a bank? Yes?/No?</p>	<p>Auditors have inside knowledge of the activities of a bank, and of its safety and soundness. This information is also relevant to the exercise of the supervisory function.</p>
<p>5.9.: Are auditors required to communicate directly to the supervisory agency any presumed involvement of bank directors or senior managers in illicit activities, fraud, or insider abuse? Yes?/No?</p>	<p>The sooner and more directly the supervisor can have access to the detailed knowledge of the auditor on the bank's activities, illicit, fraudulent, or in the form of insider abuse, the sooner it can consider this information and decide whether action is required.</p>

<p>5.10: Does the banking supervisor have the right to meet with the external auditors and discuss their report without the approval of the bank?</p> <p>a) No;</p> <p>b) Yes, it happens on a regular basis;</p> <p>c) Yes, it happens on an exceptional basis.</p>	<p>Many jurisdictions allow the supervisor to speak with the auditors on the bank's financial condition, and the contents of the auditors' report, given the relevance for the supervisor.</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>5.11.: Are external auditors subject to independent oversight by</p> <p>a) Ministry of Finance or other government department;</p> <p>b) Specialized public entity (e.g. independent audit regulator)</p> <p>c) Banking supervisory agency;</p> <p>d) Other (please explain)</p>	<p>As many professional groups, auditors are usually subject to some form of oversight, and/or professional code of ethics, and/or continuous training requirements. In different jurisdictions this oversight is organized differently. In some cases this is largely left to private professional organizations, in other cases to government agencies.</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>5.12.: In cases where the supervisor identifies that the bank has received an inadequate audit, does the supervisor have the power to take actions against</p> <p>a) The bank;</p> <p>b) The external auditor</p>	<p>Actions can include an order by the supervisor to the bank to make corrections to the accounts or the auditors' statement. Given that the accounts are usually published, corrections would need to be published as well.</p> <p>Usually complaints against the auditor need to be channeled through</p>

	<p>the professional organization.</p> <p>In some jurisdictions, corporate law allows “interested parties” to ask the courts to order a correction to the accounts. If the supervisor is considered such an interested party, it has the “power to take action” as per this question.</p>
<p>5.12.1.: How many actions have been taken by the supervisor in the past five years (2006-2010) against</p> <p>a) Banks</p> <p>b) External auditors</p>	<p>This question asks how many actions have been taken against any bank in the system, or against any of the auditors. Actions can include e.g. requests for corrections of the accounts, reprimands of the auditor, forcing the bank to change its external auditor, complaints by the supervisor to the auditors’ professional organization.</p>
<p>5.13.: Do supervisors delegate part of their supervisory tasks to external auditors?</p> <p>a) No;</p> <p>b) Yes, as part of the regular supervisory process;</p> <p>c) Yes, on an exceptional basis</p>	<p>In some jurisdictions supervisors depend more heavily on the work of the external auditor than in others. In some jurisdictions supervisors do not use the work of external auditors at all.</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>5.14.: Among the ten biggest banks in your country, how many are audited by one of the “big four ” accounting firms (PwC, KPMG, E&Y, Deloitte)?</p>	<p>If there are less than ten banks in your country, please read “the banks” instead of “the ten biggest banks”.</p> <p>Please base your response on the audits carried out in the last 12 months.</p>

6. Bank governance	
Question	Annotation
<p>6.1: Have you issued specific guidelines or requirements that explicitly address the following areas in the governance of commercial banks?</p> <p>a) Establishment of Audit Committee;</p> <p>b) Establishment of Compensation Committee;</p> <p>c) Requirement for a majority of independent directors in Board;</p> <p>d) Requirement for a majority of independent directors in Audit and Compensation Committees</p> <p>e) Structure of remuneration packages for Board directors and senior management;</p> <p>f) Public disclosure of remuneration packages for</p>	<p>Audit committees are made up of a selection of Board members that are specifically tasked with an in depth review of the annual financial statements and the auditor’s report.</p> <p>Compensation committees will review the levels and modalities of compensation (including e.g. bonuses, salaries, etc) of senior staff, management and Board</p> <p>Independent directors are directors that are not staff members or representatives of a significant shareholder, and are independent in their opinions and advice.</p> <p>See annotation above. Ultimately the bank is responsible for its accounts, and the Board is one of the checks and balances that the accounts present a true and fair view of the bank’s financial condition.</p> <p>This refers to the composition of remuneration packages, e.g. cash, shares, stock options, bonuses. Does the supervisor impose restrictions or limits on the banks financial transactions (other than salaries and bonuses) with its shareholders, managers and Board members?</p> <p>Disclosure can take place in the annual report, media, websites, and availability for inspection at a publicly accessible and disclosed</p>

<p>Board directors and senior management;</p> <p>g) Board directors' responsibility for accurate and truthful financial and regulatory reporting including public disclosure;</p> <p>h) Separation of the roles of CEO and Board chairperson;</p> <p>i) Provisions covering related party transactions;</p> <p>j) Fit and proper requirements for Board and senior management;</p> <p>k) Existence of independent risk management functions within the bank.</p>	<p>location.</p> <p>See annotation under (d) above.</p> <p>This refers to whether the supervisor requires that banks have two different persons for the roles of CEO and Board chairperson.</p> <p>This pertains to whether the supervisor requires separate reporting of related party transactions.</p> <p>This relates to whether the supervisor verifies whether the management and Board meet requirements of expertise, management capabilities, financial probity and personal reputation</p> <p>Independence of risk management functions means that the risk managers can freely communicate his/her concerns about the bank's risks to the appropriate decision makers</p>
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<p>6.2: Do the above guidelines or requirements apply uniformly to all banks (e.g. including state-owned and foreign banks)?</p> <p>Yes?/No?</p>	<p>In some cases state-owned banks, because of their presumed government guarantee, are considered to be less in need of prudential supervision.</p> <p>Foreign owned banks will in many cases be independent corporate entities only in form, when in fact they are run as if they were branches, without truly independent management or Board functions.</p>
<p>6.3: How many enforcement actions have you taken over the past five years (2006 – 2010) based on a breach of any of the above bank governance requirements ?</p>	<p>Enforcement actions are defined as actions taken under the authority of banking laws and regulations which can be enforced through the judiciary system, and can include for instance cease and desist orders, ordering that positive corrective action is taken by the bank, appointment of interim managers or temporary administrators, replacement of specific managers or officers, replacement of auditors, Board members etc.</p>
<p>6.4: Does the supervisor exercise approval authority with respect to the appointment of</p> <p>a) Board directors</p> <p>b) Senior bank management</p>	<p>This question refers to the authority of the supervisor to exercise approval rights, also after the initial licensing phase.</p> <p>No annotation required</p> <p>Members of the executive management</p>

<p>6.5: Is the remuneration or compensation of the following individuals evaluated as part of the supervisory process to ensure that they do not lead to excessive risk taking?</p> <p>a) Board directors;</p> <p>b) Senior bank management;</p> <p>c) Other bank staff (e.g. traders)?</p>	<p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>6.5.1: If so, does the supervisory agency have the power to take regulatory action when it considers that the remuneration or compensation is excessive?</p>	<p>Such powers could include the enforceable right under law or regulation to require banks to lower compensation.</p>
<p>6.6: Does the regulatory definition of related parties include the following?</p> <p>a) Significant/controlling shareholders;</p> <p>b) Board directors;</p> <p>c) Relatives of significant/controlling shareholders and Board directors;</p> <p>d) Business interests of significant/controlling</p>	<p>Mention the definition applied in the jurisdiction, in particular whether it includes these categories of related parties.</p> <p>No annotation required.</p> <p>No annotation required.</p> <p>Different jurisdictions define “relatives” differently, e.g. to the second or third degree.</p> <p>Business interests means ownership, other beneficial interests, management or Board involvement in another enterprise.</p>

<p>shareholders, Board directors, and their relatives?</p>	
<p>6.7: Is there a regulatory limit on related party exposure? Yes?/No?</p>	<p>These limits can be formulated in terms of a ratio of the exposure (credit or other) to the bank's regulatory capital, but also in terms of a ratio to the manager's/Board members salary/own funds, or a combination (no more than x % of regulatory capital, but in no case more than x% percent of the manager's/Board member's remuneration)..</p>
<p>6.7.1: If so, what is the limit as a percentage of banks' regulatory capital?</p>	<p>If the limit is expressed in a different way (e.g., as an absolute amount), please indicate so. Please provide the regulatory capital definition used in your jurisdiction (or cross-reference).</p>
<p>6.8: Have you introduced changes in the bank governance framework in your country as a result of the global financial crisis?</p> <p>a) New requirements on executive compensation;</p> <p>b) Independence of the Board;</p> <p>c) Chief risk officer direct reporting to the Board or Board Committee;</p>	<p>No annotation required</p> <p>Executive compensation would include salary, bonuses, and other benefits such as stock options or shares.</p> <p>This could include for instance a requirement of more independent Board members, as opposed to those appointed by large shareholders.</p> <p>No annotation required</p>

d) Existence of a Board Risk Committee;	A Board Risk Committee would oversee e.g. the bank's risk profile, risk management and management responses to risk issues.
e) Other (please explain)?	

7. Liquidity and Risk Diversification	
1. Risk concentration	
Question	Annotation
<p>7.1: Are banks limited in their lending to a single borrower or a group of inter-related borrowers?</p> <p>Yes?/No?</p>	<p>Many jurisdictions limit lending to a single borrower or group of related borrowers, in order to force risk diversification in the bank's portfolio.</p>
<p>7.1.1: If yes, what is the limit as a percentage of a bank's regulatory capital</p>	<p>Some jurisdictions apply a single limit, per individual exposure. Many, in particular in the EU, also apply a limit for the total level of so-called "large exposures", i.e. 800% of regulatory capital.</p> <p>Please provide a definition of the regulatory capital in your jurisdiction (or cross-refer). Please indicate if the limit is expressed in a different way.</p>
<p>7.1.2: Are there any exempted items in applying the limits?</p> <p>Yes?/No?</p>	<p>Examples of such exempted items may include cash secured lending, and government or government guaranteed lending, confirmed letters of credit, etc. Please include such examples.</p>

<p>7.2: Are there any regulatory rules or supervisory guidelines regarding asset diversification?</p> <p>Yes?/No?</p>	<p>See annotation under 7.1 Supervisory guidelines may prescribe loan exposure limits not only to individual borrowers, but also to regional, geographical and sectoral exposures</p>
<p>7.2.1: If yes, please explain.</p>	<p>No annotation required</p>
<p>7.2.2: Are any categories of banks prohibited from making loans abroad? (Yes/no). If yes, please specify.</p>	<p>Examples of the categories include: community banks or small savings banks without the required expertise.</p>
<p>II. Regulatory liquidity requirements</p>	
<p>7.3: Are there regulatory rules or supervisory guidelines regarding the following aspects of banks' liquidity management?</p> <p>a) Diversification of funding sources;</p> <p>b) Contingency funding plans including stress testing?</p>	<p>Contingency funding plans are plans to assure that adequate liquidity is available to the banks, also under conditions of stress, or to be able to replace funding sources, if certain sources should become unavailable. Stress testing is considered to be in this context typically the preparation of prognoses of a bank's solvency and/or liquidity under hypothetical stressed conditions.</p> <p>Ensuring that the bank is not dependent on a small number of funding sources.</p> <p>These are the bank's plans to ensure future funding, also under stressed conditions. Liquidity stress testing involves preparing prognoses of the impact of hypothetical but plausible conditions of stress.</p>
<p>7.3.1: If so, do they also apply to foreign branches?</p> <p>a) Diversification of funding sources;</p>	<p>No annotation required</p> <p>See annotation above</p>

<p>b) Contingency funding plans, including stress testing</p>	<p>See annotation above</p>
<p>7.4: Are the following requirements in place in your jurisdiction?</p> <p>a) Banks' liquidity management of foreign currencies;</p> <p>b) Central Bank reserve and /or deposit requirements;</p> <p>c) Regulatory minimum ratio on liquid assets (e.g. as a percentage of total balance sheet or deposit base);</p> <p>d) Maturity mismatch gap limits?</p>	<p>Branches of internationally active banks will typically have foreign currency positions that require foreign currency funding. This may be hard to obtain in a stressed situation, leaving the branch with a foreign currency risk.</p> <p>As a liquidity buffer, banks in many jurisdictions are required to hold deposits or reserves at the central bank, that can be released under certain conditions when needed. To match foreign currency liabilities of banks, these reserves at the Central Bank can also be required in foreign currency.</p> <p>To reinforce their liquidity, banks can also be required to hold a certain proportion of their balance sheet in cash or other easily liquidated assets, e.g. treasury bills.</p> <p>Liquid assets are either cash, or immediately saleable assets such as T-bills, or other highly liquid securities. The deposit base in this context may be defined differently per jurisdiction, but should at least include sight deposits, retail as well as corporate.</p> <p>Banks' cash flow can be analyzed according to maturity, to be able to see whether the liabilities falling due in e.g. the next one-week, one-month or six-month period can be matched by inflows coming to the bank in the corresponding periods. Limits can be set for the permissible gap between inflows and outflows in a certain period.</p>
<p>7.4.1: Are banks required to hold reserves in foreign currencies or other foreign denominated instruments in order to fulfill the requirements listed above?</p> <p>Yes?/No</p>	<p>In some jurisdictions banks are required to hold foreign currency reserves, or e.g. foreign currency T-bills at the central bank in a certain proportion to their foreign currency liabilities.</p>

8. Depositor (savings) protection schemes	
I. Organizational arrangements	
Question	Annotation
<p>8.1 Is there an explicit deposit insurance/protection system for commercial banks?</p> <p>Yes?/No?</p>	<p>Explicit schemes are formally established with clear rules, including on coverage, funding, and procedure. In contrast, implicit deposit protection exists when in the absence of a formal system, depositors and markets expect that, the government will step in to bail out depositors when a bank would encounter difficulties.</p>
<p>8.2: Is there a legally separate deposit insurance agency?</p> <p>a) yes;</p> <p>b) No – within Central Bank;</p> <p>c) No- within banking supervision agency;</p> <p>d) No-within Ministry of Finance;</p> <p>e) Other (please explain)</p>	<p>A legally separate deposit insurance agency is an agency with separate legal personality and its own balance sheet and income statement</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>

<p>8.3: The insurance fund is managed by</p> <p>a) The private sector alone;</p> <p>b) Jointly by private/public officials</p> <p>c) The public sector alone</p>	<p>In some jurisdictions the fund has been set up by banks, and is managed by the banks under a private sector arrangement.</p> <p>If the fund is set up as a joint effort by public and private officials separate legal identity may be required.</p> <p>In most jurisdictions, the public sector alone manages the fund.</p>
<p>8.4: Does the deposit insurance agency/fund administrator have the following powers as part of its mandate?</p> <p>a) Bank examination authority;</p>	<p>Bank examination authority would provide the deposit insurance agency/fund with a key tool to assess the quality of the risk it is taking in insuring bank deposits. It can assess the quality of the bank's business and balance sheet, and respond accordingly, e.g. by raising premiums,</p>

<p>b) Authority to access information collected by banking supervisors;</p> <p>c) Bank intervention authority;</p> <p>d) Method of failure resolution authority</p> <p>e) Pay-box authority</p>	<p>requesting improvement in bank practices, and – depending on the arrangements in place in the jurisdiction - ultimately withdrawing insurance cover.</p> <p>This means that the deposit insurance agency/fund does not have the power to directly examine banks by its own staff, but the agency has access to the data.</p> <p>Germane to the powers mentioned under a) above, this authority allows the agency to take powerful action to bring a bank back to soundness. Intervention can comprise of e.g. issuing cease and desist orders, imposing a form of temporary administration which overrides management, replacing managers, etc.</p> <p>Once a bank is considered to have failed, there are different methods for resolving the bank: open bank assistance, whereby the business of the bank continues, e.g. as a result of liquidity support. On the other hand, it may be necessary to end the life of the bank as an independent entity, and seek to have it taken over by a stronger institution. Finally, if all else fails, liquidation of the assets and liabilities of the bank may be the only possible way forward. Only in some jurisdictions does the insurance agency have the power to take decisions on the latter kind of resolution options.</p> <p>This means that the agency is in charge of managing the pay-out of the insured portions of depositors’ funds to depositors.</p>
<p>8.4.1: Does the deposit insurance authority by itself have the legal power to cancel or revoke deposit insurance for any participating bank?</p>	<p>This power would need to be laid down in law and be enforceable, based on legal and regulatory criteria and standards.</p>
<p>8.4.2: Can the deposit insurance agency/fund take legal action for violations of laws, regulations, and by-laws (of the deposit insurance agency) against bank directors or other bank officials?</p> <p>Yes?/No?</p>	<p>Legal action implies enforceable corrective action based on powers granted in law or regulation, providing direct powers to order action against individuals in the bank or its Board.</p>

<p>8.4.3: Has the deposit insurance agency/fund ever taken legal action for violations against laws, regulations, and by-laws (of the deposit insurance agency) against bank directors or other bank officials?</p> <p>Yes?/No?</p>	<p>This could for instance imply powers to recuperate from bank officials moneys paid in compensation to depositors, but also to make banks adopt a lower risk profile, or improve business practices in order to lower the risk for the deposit protection agency.</p>
<p>II. Membership and coverage</p>	
<p>8.5: Is participation in the deposit insurance system compulsory for the following banking entities</p> <p>a) Domestic banks;</p> <p>b) Foreign bank subsidiaries;</p> <p>c) Foreign bank branches?</p>	<p>Domestic banks are banks of which the shares are held for more than 50%, or are controlled in other ways by residents.</p> <p>Foreign bank subsidiaries are licensed banks in the host country, of which the shares are held for more than 50%, or is otherwise controlled by non-residents.</p> <p>Foreign bank branches are offices without legal personality of a foreign owned parent bank (see above),.</p>
<p>8.6: Are the following types of deposits excluded from deposit insurance coverage</p> <p>a) Foreign currency deposits;</p> <p>b) Interbank deposits;</p> <p>c) Deposits in the foreign branches of foreign banks</p> <p>d) Deposits in the foreign subsidiaries of domestic banks</p>	<p>No annotation required</p> <p>Interbank deposits are deposits of one bank with another.</p> <p>This asks whether deposits in domestically incorporated foreign subsidiaries are also covered under the insurance system.</p> <p>This asks whether deposits in subsidiaries abroad of domestic banks are covered.</p>

<p>8.7: The deposit insurance coverage type is</p> <p>a) Per depositor account</p> <p>b) Per depositor</p> <p>c) Per depositor per institution</p> <p>d) Other (please explain)</p>	<p>Deposit insurance coverage per depositor account means that each account is covered separately and is eligible for the full amount of compensation allowed under the scheme, regardless of whether multiple accounts are held by the same person.</p> <p>Deposit insurance coverage per depositor means that an individual depositor can never receive more compensation than the maximum allowed under the scheme, regardless of the number of accounts owned by that person, regardless in how many banks.</p> <p>This refers to cover per depositor per institution, regardless of the number of accounts in that institution.</p>
<p>8.8: What is the basic deposit insurance limit per category of insured deposits as of end 2010 (in US\$ and/or domestic currency, please state the currency)?*</p>	<p>What is the maximum amount to which depositors can be reimbursed. If this differs by category of deposits (e.g., retail, corporate, etc), please indicate the different maximum amounts for the different categories.</p>
<p>8.9: Is the coverage amount indexed to prices?</p>	<p>Some jurisdictions index the maximum level of compensation to an economic variable, e.g. inflation.</p>
<p>8.10: Is there formal co-insurance, i.e. are all depositors explicitly insured for less than 100% of their deposits?</p> <p>Yes?/No?</p>	<p>Co-insurance means that the depositor has to accept part of the risk for his/her own account. Instead of receiving reimbursement for 100% of his/her deposit, he/she would receive for instance 95 or 90 %, depending on the domestic rules on deposit insurance.</p>
<p>8.11: What percentage of the total deposits of participating commercial banks was actually covered by the scheme as of end</p>	<p>No annotation required</p>

2008	
2009	
2010	
8.11.1: As a share of total assets, what is the value of large denominated debt liabilities of banks, (e.g. subordinated debt, bonds, etc) that are definitely not covered by any explicit or implicit savings protection scheme?	“Large debt liabilities” refers to large single liability items on the balance sheet. Some deposit protection schemes exclude certain categories of depositors, e.g. other banks and/or large corporations. Subordinated liabilities would typically not be retail in nature, and some jurisdictions limit their system to retail depositors.
III. Funding	
8.12: Is there an ex ante fund/reserve to cover deposit insurance claims in the event of the failure of a member bank? Yes?/No?	“Ex ante funds” implies the presence of an up-front amount of funds available to be used to compensate depositors, for instance from bank, and/or government contributions made at the outset of the system.
8.13: Funding is provided by a) Government; b) Banks c) Combination	The government will usually not provide the bulk of the fund’s resources, but will require the industry to come up with contributions. Levies can typically be imposed upon banks e.g. based on volume of insured deposits, and/or on the basis the risk profile of the bank. Please provide a basic breakdown of the sources of funding.
8.13.1: If pre-funded, what is the ratio of accumulated funds to total bank assets as of end 2010?	Pre-funded deposit insurance means that a fund exists and continues to accumulate assets, before the need to deploy it has arisen.
8.14: Do deposit insurance	Premiums charged to individual banks to finance the fund can be based on different criteria, among which the risk profile of the bank, as assessed by

<p>fees/premiums charged to banks vary, based on some assessment of risk?</p> <p>Yes?/No</p>	<p>the fund or the supervisors. . If yes, please indicate also how the risk is assessed.</p>
<p>8.15: Is the premium assessed on a participating banks’</p> <p>a) Insured deposits;</p> <p>b) Total deposits;</p> <p>c) Total assets;</p> <p>d) Other (please explain)</p>	<p>No annotation required</p>
<p>8.16: What event triggers a claim for payment by the deposit insurance system?</p> <p>a) Court declared bank bankruptcy;</p> <p>b) Banking supervisor’s decision;</p> <p>c) Deposit insurance agency/fund administrator decision</p> <p>d) Other (please explain)</p>	<p>A trigger for compensation of depositors can be any form of unavailability of his/her deposits to the depositor</p> <p>This would need to be a final decision on the bankruptcy, but can also imply a court authorized interim payment to depositors, in the course of the – often lengthy – bankruptcy proceedings.</p> <p>This would need to be based on powers given e.g. in the banking law, or other legal instrument regulating the deposit protection scheme.</p> <p>Same</p>
<p>8.17: From the time of the event’s trigger, within how many days is the deposit insurance scheme legally obligated to fully reimburse insured depositors?</p>	<p>The law (or other legal instrument) creating the deposit insurance scheme will determine the moment that depositors have a claim on the agency, due to the unavailability of the deposits. The law will also set a maximum time for repayment of the insured deposits.</p>

8.17.1: In general, how long does it take in practice to pay depositors in full?	“In full” means to the full extent of their recognized claims on the deposit insurance scheme, taking into account any caps on payout, co-insurance etc.
8.17.2: Were insured depositors wholly compensated (to the extent of legal protection) the last time a bank failed?	This asks whether the fund paid out the maximum cover to each eligible depositor the last time the fund was used.
8.17.3: Were any deposits not explicitly covered by the deposit insurance scheme at the time of failure compensated the last time a bank failed (excluding funds later paid out in liquidation procedures? Yes?/No?	This question asks whether deposits, considered uninsured under the deposit guarantee scheme, were nevertheless compensated from the deposit guarantee fund (not including recovery out of the proceeds of the liquidation). This could be the situation when the deposit insurance fund decides to expand coverage voluntarily, even when the scheme did not legally require it.
8.18: What happens when the deposit insurance fund is insufficiently large to be able to fully refund claimants? a) Call on the banks for the shortfall; b) Call on the Ministry of Finance; c) Borrow money; d) Limit payouts; e) Other(please explain)	If the amount available in the fund is less than needed to compensate depositors, back up finance will be needed from some source, unless depositors are required to carry the shortfall themselves in the form of compensation which is less than their legal entitlement. Calling on the banks for the shortfall means that the country authorities levy a fee on banks, above and beyond their regular premiums. Calling on the Ministry of Finance means that the deposit protection scheme has a form of back-up financing from the Ministry of Finance. to cover shortfalls in the fund. This borrowing may involve some guarantees by the Ministry of Finance to ensure credibility in the eyes of the depositors and the markets. A limit on payouts means that for example depositors are required to take a haircut on their legal maximum payout.

<p>8.18.1: How many times has it occurred in the last five years (2006-2010) that the deposit insurance fund was insufficiently large to be able to fully refund claimants?</p>	<p>Provide the number of times that the deposit insurance fund was insufficiently large to be able to fully refund claimants.</p>
<p>8.19: Have you introduced changes to your deposit protection system as a result of the global financial crisis?</p> <p>a) expansion of coverage;</p> <p>b) Increase in amount covered;</p> <p>c) Temporary inclusion of guarantees on bank debt;</p> <p>d) Government guarantee of deposits and bank debts;</p> <p>e) Other (please explain)</p>	<p>The global financial crisis placed many depositors at risk, due to the difficult financial position of many banks. This led to the question whether the normal deposit insurance limits and other features should be left unchanged, or adapted to the unusual circumstances.</p> <p>This refers to an expansion of the categories of depositors covered by the deposit insurance system.</p> <p>This refers to the raising of the maximum amount that could be reimbursed per depositor, or as applicable, per account.</p> <p>In many jurisdictions, cover is limited to private depositors, and excludes interbank exposures. .</p> <p>Direct government guarantees of bank debt would be in excess of what could be guaranteed by the deposit guarantee fund. This in effect expands the deposit guarantee system.</p>

9. Asset Classification Provisioning and Write-offs	
I. Asset classification	
Question	Annotation

<p>9.1: Do you have an asset classification system under which banks have to report the quality of their loans and advances using a common regulatory scale?</p> <p>Yes?/No?</p>	<p>Some jurisdictions use percentages set by the regulator to provision for certain categories of non-performing assets. These usually comprise a light category for loans that are formally still “performing” (i.e. less than 90 days overdue) but need to be watched carefully: “watch” (or “special mention” or similar terminology), substandard, doubtful, loss (or similar terms). The regulator will set a specific provisioning percentage for each of these categories, e.g. 5%, 25%, 50% and 100% respectively. Sometimes jurisdictions set a range of percentages for each category, e.g. 1-5% for “watch” or “special mention”, 10-25% for substandard, 25-75 % for doubtful and 100% for loss.</p> <p>Some jurisdictions do not use pre-determined percentages, but set provisions on a case by case basis, to the discretion of the external auditor, provided the regulator agrees.</p>
<p>9.1.1: If so, please provide the type and number of different asset classification categories (e.g. 1-5, AAA, CCC, etc.) that you are using in this system. Please specify whether it</p> <p>a) Applies to all commercial banks;</p> <p>b) Covers all types of borrowers (e.g. including government);</p> <p>c) Covers all loans and advances to a borrower;</p> <p>d) Imposes a uniform classification requirement for specific borrowers (e.g.</p>	<p>Regulators can give numeric indications to the classification categories, or verbal ones. Essential is the number of different categories, and what level of impairment (from light impairment to loss) they represent.</p> <p>Typically the classification and provisioning rules apply to all supervised institutions. Non-supervised institutions also need to provision, but that is at the discretion of the institution itself, on the recommendation of the external auditor, who needs to certify that the accounts represent a true and fair view of the institution’s financial condition.</p> <p>No annotation required</p> <p>Increasingly, jurisdictions apply similar provisions to all exposures to a borrower even when only one of the exposures becomes non-performing.</p> <p>No annotation required</p>

<p>government and/or state-owned can only be graded at or above a certain category)?</p>	
<p>9.1.3: After how many days of non-payment is a loan typically classified as</p> <p>a) Substandard;</p> <p>b) Doubtful;</p> <p>c) Loss?</p>	<p>No annotation required; also see under 9.1.</p>
<p>9.2: Which criteria are taken into account to classify loans and advances as non-performing?</p> <p>a) Significant financial difficulty of the borrower and deterioration in his creditworthiness;</p> <p>b) Breach of contract;</p> <p>c) Restructuring);</p> <p>d) Borrower bankruptcy or other financial reorganization;</p> <p>e) Days past due status (please specify number of days);</p> <p>f) Existence of collateral, guarantees or other credit risk mitigants (please</p>	<p>In some jurisdictions, the number of days overdue is the only criterion. In other jurisdictions, supervisors have some discretion to impose a classification, e.g. doubtful, when they have other indications that regardless of the number of days overdue, payment in full is not expected. In your response, please indicate if there is some scope for supervisory discretion.</p> <p>This is a fairly subjective criterion, leaving much to supervisory judgment.</p> <p>Examples of breach of contract include default or delinquency (by a certain number of days) in interest or principal payments.</p> <p>Restructuring is defined as concessions granted by the creditor in repayment amounts or conditions, granted, for economic or legal reasons relating to the borrower's financial difficulty, that the creditor would otherwise not consider.</p> <p>No annotation required</p> <p>An obligation is past due as soon as the due date has passed, but is in default only after the threshold for default, which can be set differently in different jurisdictions, has been passed.</p> <p>Many jurisdictions define the degree of impairment of an asset based on the number of days overdue, e.g. 90, 180, 360.</p>

explain); g) Other (please explain)?	Examples of other credit risk mitigants include assignment of claims, repurchase agreements, netting, credit derivatives, credit insurance.
9.3: Does accrued, although unpaid interest/principal enter the bank's income statement while the loan is classified as non-performing? Yes?/No?	Accrued but unpaid interest/principal represents an interest/principal obligation due to the creditor on the basis of the loan agreement, but not yet paid by the debtor, e.g. because the due date for payment has not yet appeared. These unpaid but "built up" amounts therefore represent a claim on the borrower and need to be provisioned for if payment is doubtful. To the extent that the provision is not necessary for the full amount of the claim, the residual could enter the income statement.
9.4: Are banks allowed to upgrade the classification of a loan immediately after it has been restructured? Yes?/No?	See annotation under 9.2. Usually a track record of timely payments under the restructured loan needs to be built before re-classification can take place.
9.5: If a customer has multiple loans and advances and one of them is classified as non-performing, are all the other exposures automatically classified as non-performing as well? a) Yes b) No- there are regulatory rules preventing the automatic upgrade of restructured loans to a better risk category.	See annotation under 9.1.1. Practices differ across countries..
Provisioning of classified loans	
9.6: Are there minimum levels of specific provisions for loans and advances that are set by the regulator? Yes?/No?	Specific provisions are provisions for identified arrears or expected non-payment on individual credits or identified groups of credits (as opposed to e.g. experience based general provisions for e.g. credit card claims; see annotation under 9.7). Also see annotation under 9.1 and 9.1.1.

<p>9.6.1: If so, are these linked to the regulatory asset classification system mentioned in question 9.1. above? Yes?/No?</p>	<p>See annotation under 9.1. and 9.1.1</p>
<p>9.6.2: Please specify whether these minimum specific provisioning rules</p> <p>a) Allow for the value of the collateral to be deducted from the amount of a loan or advance before provisioning is applied;</p> <p>b) Apply to all commercial banks;</p> <p>c) Cover all types of borrowers (e.g. including government);</p> <p>d) Cover all loans and advances to a borrower;</p> <p>e) Impose uniform provisioning requirements for specific borrowers (e.g. loans to government and/or state-owned enterprises do not require provisions;</p>	<p>Many jurisdictions will allow for the deduction of collateral, but will apply judgment whether the collateral is adequate. If not, discounts may be applied to the collateral/security, before deducting it from the loan amount.</p> <p>See annotation above, under 9.1.1</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>
<p>9.6.3: What is the minimum provisioning required as loans become</p> <p>a) Substandard;</p> <p>b) Doubtful;</p>	<p>See annotation above, under 9.1</p>

c) Loss?	
9.7: Is there a regulatory requirement for general provisions on loans and advances? Yes?/No?	This refers to a standard percentage to be applied for unexpected losses.
9.7.1 If so, what are the general provisions based on? a) Percentage of gross loans, b) Statistical/ countercyclical system of provisioning c) Other (please explain)	These can be percentages based on general banking experience. . Regulators could consider applying different standardized percentages, depending on whether times are good or bad. Making additional provisions in “good times” (i.e., when profits are above average), can help limit capital losses in “bad times”..
II. Write-offs	
9.8: Do you require banks to write off non-performing loans after a specific time period? Yes?/No?	Write-offs refer to the practice of removing an unpaid loan balance off the books of the bank, usually after a specified period of time, charging any unpaid balance against the profit and loss account. After the write-off the loan is no longer part of the stock of non-performing loans.
9.8.1: If so, what is the maximum time (in months) that a loan or advance can be non-performing before it has to be written off?	No annotation required
III. Other	
9.9: Up to what level (if any) are the following types of provisions tax deductible?	Tax authorities can allow complete or partial deduction of provisions from taxable income.

a) Specific provisions;	No annotation required; see above
b) General provisions?	No annotation required; see above

10. Accounting/information disclosure	
I. Scope of accounting consolidation	
Question	Annotation
<p>10.1: Are banks required to prepare consolidated accounts for accounting purposes?</p> <p>Yes?/No?</p>	<p><u>Consolidated financial statements</u> are defined as the financial statements of a group, presented as if they represented those of a single economic entity. For the purpose of this question, consolidation is only considered to take place within banking groups. Consolidation of financial activities of a different nature, such as insurance, with a much different type of liability structure, and securities brokerage, with a much different risk profile, is technically extremely difficult and tends to provide less insight rather than more.</p>
II. Accounting standards	
<p>10.2.1: Are applicable accounting standards for banks in your country prepared in accordance with US Generally Accepted Accounting Principles (GAAP)?</p> <p>a) At an individual bank level?</p> <p>b) At a consolidated level?</p>	<p>Few countries directly implement US GAAP or International Financial Reporting Standards (IFRS) without adapting them to some degree to their own situation, and in the form of an accounting law of their own.</p> <p>Much work is ongoing to develop an international set of accounting standards that can reconcile the UK/European IFRS with US GAAP.</p> <p>No annotation required</p> <p>No annotation required</p>

<p>10.2.4: Does accrued, though unpaid interest/principal enter the income statement while the loan is still performing?</p> <p>Yes?/No?</p>	<p>Under accrual accounting, so long as the loan is performing (in most jurisdictions defined as less than 90 days past due) the accrued interest and principal are considered to have been paid (even if the actual due date has not yet arrived) and are therefore included in the income statement. Under a cash accounting system, accrued but not yet paid claims, are not counted as income.</p>
<p>10.2.5: Does accrued, though unpaid interest/principal enter the income statement while the loan is non-performing?</p> <p>Yes?/No?</p>	<p>.No annotation required</p>
<p>III. Public disclosure standards</p>	
<p>10.3: Are all banks operating in your country (including foreign bank branches) required to make available to the public their audited annual financial statements?</p> <p>a) Yes, on an individual basis;</p> <p>b) Yes, on a consolidated basis (if applicable)</p> <p>c) There are some exemptions (please explain)</p>	<p>Disclosure to the public can include publication in the media, or on a website, or by making the statements available for inspection at a publicly accessible and disclosed location.</p> <p>No annotation required</p> <p>No annotation required</p>

<p>10.4: Are banks required to submit their financial statements to the banking supervisor prior to public disclosure?</p> <p>Yes?/No?</p>	<p>Supervisors often have an opportunity to review, preferably in the presence of the external auditor, the bank’s end-of-year statements before publication. This can also for instance occur through submission of the final set of monthly/quarterly prudential returns to the supervisor, which in effect represent the year-end situation. Alternatively, the supervisor could review the draft annual accounts..</p>
<p>10.4.1: If yes, respond with “yes” or “no” to each option provided below.</p> <p>a) Is the supervisor required to review them?</p> <p>b) Can the supervisor require changes to be made to them before they are published?</p>	<p>No annotation required</p> <p>No annotation required</p>
<p>10.5: Do banks disclose to the supervisor</p> <p>a) full audited financial statements;</p> <p>b) off balance sheet items;</p> <p>c) Governance and risk management framework;</p> <p>d) Regulatory capital and capital adequacy ratio;</p>	<p>The full audited financial statements include the balance sheet and profit and loss account.</p> <p>Off balance sheet items are contingent assets and liabilities of a bank, that, because of their contingent nature, do not appear on its balance sheet. Off-balance sheet items include direct credit substitutes in which a bank substitutes its own credit for a third party, including letters of credit, guarantees for repayment of commercial paper or tax-exempt securities, sale and repurchase agreements; derivatives such as interest rate swaps; interest rate options and currency options.</p>

<p>e) Transactions with related parties;</p> <p>f) Any other material information (i.e. information omission or misstatement of which could change or influence the assessment or decision of a user relying on that information for making decisions);</p> <p>g) Scope of consolidation (including reasons for not including certain entities, where appropriate)?</p>	<p>No annotation required; for a definition of related parties see under 6.6</p> <p>No annotation required</p> <p>The scope of consolidation refers to the so-called consolidation perimeter, i.e. the circle of companies that is included in the consolidated accounts. Certain entities may be excluded for instance because the nature of their assets and liabilities is too different from that of a bank</p>
<p>10.5.1: Do banks regularly disclose to the public</p> <p>a) Full audited financial statements;</p> <p>b) Off balance sheet items;</p> <p>c) Governance and risk management framework;</p> <p>d) Regulatory capital and capital adequacy framework;</p> <p>e) Transactions with related parties;</p> <p>f) Any other material information (i.e. information the omission or misstatement of which could change or influence the assessment or decision of a user relying on that information for making decisions);</p>	<p>Practices differ from jurisdiction to jurisdiction. The term “regularly” should be read as “at least once a year.” Also see annotations under 10.5.</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p> <p>No annotation required</p>

<p>g) Scope of consolidation (including reasons for not including certain entities, where appropriate)?</p>	<p>No annotation required</p>
<p>10.5.2: Are banks legally liable if information is erroneous or misleading?</p>	<p>This asks whether the legal system in your jurisdiction allows for civil liability of banks for damages caused by erroneous or misleading information? .</p>

<p>10.6: Do supervisors require banks to publicly disclose</p> <p>a) all fines and settlements resulting from non-compliance with regulation;</p> <p>b) Other information not required by financial reporting standards (e.g. prudential reports). If so, please explain.</p>	<p>Typically, supervisors will include a section in their annual report (as applicable) on enforcement action, but most frequently without mentioning names of banks.</p> <p>Pillar 3 of Basel II contains many disclosure requirements that are not necessarily needed in order to comply with financial reporting standards. These include for instance details on the structure of capital, risk management information, geographical breakdown of exposures, details on the breakdown of impaired assets, etc. In case of banks listed on the stock exchange, the rules of the stock exchange may require disclosure of certain types of information.</p>
<p>10.7: Are commercial banks required by supervisors to have external credit ratings?</p> <p>Yes?/No?</p>	<p>External credit ratings are assessments of creditworthiness provided by independent external (usually commercial) rating agencies. These ratings are used by the markets, supervisors, investors, creditors and the public, in order to help form a view on a bank's credit standing. For this reason, some commentators have suggested that banks issue at least a minimum amount of commercial paper to the markets, in order to obtain a rating.</p>
<p>10.8: How many of the top ten banks (in terms of domestic assets) are rated by international credit rating agencies (e.g. Moody's, Standard and Poor's)</p>	<p>If there are less than 10 banks in the system, please read "the banks" for "the top ten banks".</p>

10.9: How many of the top ten banks (in terms of total domestic assets) are rated by domestic credit rating agencies?	If there are less than 10 banks in the system, please read “the banks” for “the top ten banks”.
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11. Discipline/problem institutions/exit	
1. Enforcement	
Question	Annotation
<p>11.1: Please indicate whether the following enforcement powers are available to the supervisory agency</p> <p>a) Cease and desist-type orders against imprudent bank practices;</p> <p>b) Forbearance (i.e., to waive regulatory and supervisory requirements)</p> <p>c) Require a bank to meet supervisory requirements (e.g. capital, liquidity, etc.) that are stricter than the legal or regulatory minimum;</p> <p>d) Require a bank to enhance governance, internal controls, and risk management systems;</p> <p>e) Require a bank to apply</p>	<p>Cease and desist orders provide legally binding supervisory instructions to banks to cease unsafe and/or unsound practices and/or take corrective actions to improve business practices.</p> <p>Forbearance is defined as a temporary acceptance by the supervisor, subject to strict conditions, of banks’ non-compliance with regulatory standards, while they improve their practices and restore compliance with prudential norms. This tool can be used e.g. when a bank has good prospects of restoring its capital to levels of compliance but needs time to implement its plans.</p> <p>If a bank has a higher than average risk profile, and faces more risk of loss of capital and/or liquidity, there may be a reason to impose higher requirements to compensate for the higher risk.</p> <p>Enhancement of governance and/or internal controls can include replacement of managers, strengthening internal audit functions and reporting, strengthen credit review, providing broader oversight powers to the Board, etc.</p> <p>Specific provisions and write-offs are among the most</p>

<p>specific provisioning and/or write-off policies;</p> <p>f) Require a bank to constitute provisions to cover actual or potential losses;</p> <p>g) Restrict or place conditions on the types of business conducted by a bank;</p> <p>h) Withdraw a bank's license;</p> <p>i) Require a bank to reduce/restructure their operations (e.g. via assets sales and branch closures) and adjust their risk profile;</p> <p>j) Require a bank to reduce or suspend dividends to shareholders;</p> <p>k) Require a bank to reduce or suspend bonuses and other remuneration to bank directors and managers;</p> <p>l) Suspend or remove bank directors;</p>	<p>frequently discussed issues between bank management, the external auditor and the supervisors. More robust provisioning and/or write offs enhance the accuracy of the bank's financial statements.</p> <p>This is a similar issue to the specific provisions mentioned above, but can refer to general provisions and a standard buffer, e.g. 2%, for general risk in the portfolio.</p> <p>Such actions should be seen in the context of ensuring that the bank maintains safe and sound banking practices and policies.</p> <p>This action is also frequently part of the supervisor's powers. It will typically be used after all prudential measures have been exhausted. Only in extreme cases, e.g., criminal activities sanctioned by management, or acute insolvency, will this power be used without prior attempts to redress the bank's condition.</p> <p>Restructuring of a bank's operations can include reforming its business operations, e.g. lowering overheads and selling assets and business units, to make it more profitable and less risky (operational restructuring).</p> <p>Reduction or suspension of dividends will speed up the growth of capital through increased retained earnings. Typically these actions will be part of a plan to rehabilitate the bank, e.g. under a capital restoration plan, under e.g. a temporary administrator.</p> <p>.</p> <p>This is a measure similar in its effect to suspension of dividends, only directed at those that draw an income from the bank based on their work and the quality of their performance.</p> <p>Bank directors can be removed by the supervisor if they no longer are seen to meet fit and proper and/or fail in their oversight and advisory duties. In practice it can be challenging to prove a causal relationship between bank problems and the advice given/the way oversight over management was exercised by directors individually.</p>
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<p>m) Suspend or remove managers;</p> <p>n) Require commitment/action from controlling shareholders to support the bank with new equity (e.g. capital restoration plan)?</p>	<p>Suspension or removal of bank managers is a key tool of bank supervisors when it is necessary to improve the bank’s practices and policies.</p> <p>When assessing new shareholders, their ability to support the bank with new capital in case of need, is one of the criteria.</p>
<p>11.1.1: Are bank regulators/supervisors required to make public formal enforcement actions and written agreements between a bank regulatory/supervisory body, and a banking organization?</p> <p>Yes?/No?</p>	<p>This question refers to whether the banking law requires the supervisor to publicly disclose supervisory actions taken against banks and memoranda of understanding on improvement of business practices.</p> <p>Enforcement actions are often described summarily in supervisory annual reports, generally without mention of the names of the institutions. If the latter is the case in your jurisdiction, the answer to this question should be “no”.</p> <p>Examples of formal enforcement actions include cease and desist orders, instructions to remove managers or officers of the bank, strengthen credit policies, appointment of a temporary administrator, placing a bank in conservatorship.</p>

<p>11.2: Please indicate how many times any of the above enforcement actions, in the last five years (2006-2010)</p> <p>a) have been contested in court;</p> <p>b) have been overturned by the court?</p>	<p>“Contested in court” means that the bank or individual persons who have been the object of supervisory action file appeals with the courts to contest the supervisory actions.</p> <p>“Overturned by the court” means in this context that the court has reversed the supervisory decision.</p>
<p>11.3: Does the supervisory agency operate an early intervention framework (e.g. prompt corrective action) that forces automatic action when certain regulatory triggers/thresholds are breached?</p> <p>Yes?/No?</p>	<p>Early intervention implies supervisory action as soon as the supervisor becomes aware of a material breach of capital adequacy requirements, or other specified prudential standards, before the stability of the bank is threatened.</p>

<p>11.3.1: If so, what triggers/thresholds are used for initiating automatic actions</p> <p>a) Breach of minimum regulatory capital adequacy ratio;</p> <p>b) Breach of other regulatory requirements (e.g. liquidity ratio, fit and proper criteria);</p> <p>c) Evaluation of likely non-viability given trends and risk factors;</p> <p>d) Other (please specify)?</p>	<p>In many jurisdictions, when capital adequacy (or another indicator considered of key importance) declines below pre-determined levels, the supervisor is legally bound to take corrective action of increasing seriousness, commensurate with the degree of decline in the bank's capital adequacy.</p> <p>No annotation required</p> <p>Non-viability means that over the medium term (2-5 years), the bank risks becoming insolvent, if present practices and policies are continued, e.g. increase in mismatches, open exchange positions/increasing currency volatility, increases in non-performing loans, and e.g. the economic downturn continues.</p>
<p>II. Resolution</p>	
<p>11.4: Is there a separate bank resolution framework that is distinct from that for non-financial firms?</p>	<p>In a number of jurisdictions, bank insolvencies are treated in the same way as those of non-financial firms, and are executed by the regular court system. Also in such systems, the actual liquidation is often carried out by legal and/or financial specialist appointed by, and overseen by the court.</p> <p>In other jurisdictions, special bank insolvency laws apply (alongside regular corporate insolvency laws), with different resolution mechanisms. These mechanisms will typically also be executed by the judicial system, possibly assisted by financial experts.</p>

<p>11.4.1: Is the insolvency framework the same for bank holding companies and banks? If not, please explain the differences.</p>	<p>Bank holding companies are licensed as banks in many jurisdictions. In these cases, the bank bankruptcy regime would be applicable.</p>
<p>11.5: Which authority has the powers to perform the following bank liquidation activities?</p> <p>a) Declare insolvency;</p> <p>b) Supersede shareholders' rights;</p> <p>c) Remove and replace bank senior management and directors;</p> <p>d) Undertake bank resolution mechanisms;</p> <p>e) Appoint and oversee a bank liquidator/receiver</p>	<p>Declaring insolvency means a legal determination, usually by a court of law, that the bank's liabilities exceed its assets and that it cannot pay its creditors.</p> <p>Superseding shareholders' rights means that shareholders' governance rights (e.g to issue a vote in the shareholders' meeting) are overridden by the decisions of another party, e.g. a temporary administrator.</p> <p>No annotation required</p> <p>Undertaking bank resolution mechanisms means, for instance putting the bank under temporary administration or conservatorship, placing it under a bridge bank regime. In these cases action can be taken by the supervisor to rehabilitate the bank or prepare it for sale to a stronger institution. .</p> <p>A bank liquidator or receiver is a person in charge of making an inventory of assets and liabilities and winding down the bank's business by collecting assets and paying down the liabilities, insofar as possible, given the proceeds of the assets.</p>

<p>11.6: Is court approval required for the following resolution activities?</p> <p>a) declare bank insolvency;</p> <p>b) Supersede shareholder rights;</p> <p>c) Remove and replace bank senior management and directors;</p> <p>d) Undertake bank resolution mechanisms;</p> <p>e) Appoint and oversee a bank liquidator/receiver?</p>	<p>Also under a bank bankruptcy managed and administered by a bank supervisor or other non-judicial body, there will typically be a need to subject key decisions to court review in order to assure due process. Even if decisions are implemented without the possibility of an immediate court- ordered stay of implementation, the supervisor’s actions may nevertheless be subject to administrative or judicial review and give rise to liability for damages after the fact, even if the decision cannot be reversed.</p> <p>The declaration of insolvency, and the cases mentioned under b-e typically are such decisions that need to be open to review by an independent body, such as a court. The court can usually obtain expert advice, if it is not itself sufficiently expert in financial matters.</p> <p>See annotation above Q11.5</p> <p>See annotation above Q11.5</p> <p>See annotation above Q11.5</p> <p>See annotation above Q11.5</p>
<p>11.7: Can the bank shareholders appeal to the court against a resolution decision of the banking supervisor?</p> <p>Yes?/No?</p>	<p>A court in this context can be either a judicial or administrative appeals body.</p>
<p>11.7.1: If yes, how many appeals were made in the past five years (2006-2010)</p>	<p>No annotation required</p>

<p>11.7.1.1: Of which how many were successful?</p>	<p>The term “successful” in this case means that the court decided in favor of the person appealing the decision.</p>
<p>11.8: Can a resolution action against a bank continue if a court action is filed, or does the court appeal lead to the suspension of such an action until a ruling is made?</p> <p>Yes?/No?</p>	<p>In many jurisdictions, the implementation of supervisory decisions cannot be stopped by appealing the decision. The supervisor can however, be held liable after the fact, if the appeals body finds that the supervisory decision was taken unjustifiably. Also see annotations under 11.6 and 11.7.</p>
<p>11.9: Which mechanisms are provided in existing legislation to resolve a problem bank prior to its closure and liquidation?</p> <p>a) Open bank assistance;</p> <p>b) Purchase and assumption transactions (with or without government support);</p> <p>c) Government intervention (e.g. via conservatorship or nationalization);</p> <p>d) Bridge bank</p>	<p>Under open bank assistance the bank is kept open for business while the problems are resolved under the direction of the supervisor. This can take place through the provision of liquidity, obtaining additional capital from shareholders (new or old), while improvements are made in the conduct of business, management, business model, etc.</p> <p>Under purchase and assumption transactions, assets (usually only the good assets, or assets that benefit from e.g. a guarantee) and/or liabilities (deposits) are transferred to other banks in exchange for cash or additional share capital. Government support or haircuts can be needed to make the transaction sufficiently attractive to the purchaser, e.g. when there is doubt about the value of the assets sold.</p> <p>Government intervention can also take the form of the effective take-over of the bank’s management or shares, i.e. nationalization. Nationalization can be temporary or permanent, leading in to liquidation.</p> <p>The term “bridge bank” refers to the situation where a bank is temporarily taken over by the government, pending its resale to a strategic investor, or other stronger bank, interested in the</p>

<p>e) Other (please specify)?</p>	<p>franchise of the problem bank. The term “bridge” refers to the need to “bridge” the period between the government take-over and the sale of the bank to another institution/shareholder. During the bridge period, the bank stays in business, to avoid the loss of franchise value.</p>
<p>11.10.1: How many banks have been resolved in</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>The term “resolved” means that a bank has been rehabilitated through supervisory action, sufficiently to resume business, or to be sold to another institution.</p>
<p>11.10.2: How many banks have been liquidated in</p> <p>2008</p> <p>2009</p> <p>2010</p>	<p>The term “liquidated” means that the business of the bank has been wound down, and liabilities paid off to the extent possible, given the proceeds of the assets.</p>
<p>11.11.1: What proportion of banking system assets have been resolved in</p> <p>2008</p> <p>2009</p> <p>2010?</p>	<p>The proportion should be calculated as the total assets of the “resolved” banks divided by the total assets of all banks in the system at the end of the respective year.</p>
<p>11.11.2: What proportion of banking system assets has been liquidated in</p>	<p>This refers to a situation where all assets and liabilities have been liquidated and the bank closed/de-licensed.</p> <p>The proportion should be calculated as the total assets of the “liquidated” banks divided by the total assets of all banks in the</p>

2008; 2009 2010?	system at the end of the respective year.
11.12: Have you introduced significant changes to the bank resolution framework in your country as a result of the global financial crisis? a) Separate bank insolvency framework; b) Coordination arrangements among domestic authorities; c) Other, please explain.	See annotation under 11.4 and 11.4.1 Banks have increasingly developed financial and/or business relations with other types of financial institutions, or developed activities that are subject to the oversight of other regulatory agencies. In case of resolution or liquidation, these agencies will need to oversee the proper treatment of the interests they have been appointed to serve, and need to be brought into the resolution/liquidation process in an appropriate way. This could for instance refer to legislation to expedite the use of public funds for bank resolution, laws on suspension or overriding of shareholder rights, allowing shareholdings or take-overs by foreign institutions/shareholders, etc.

12. Supervision	
I. Institutional structure and mandate	
Question	Annotation

<p>12.1: What body/agency supervises commercial banks for prudential purposes?</p> <p>a) the Central Bank;</p> <p>b) A single bank supervisory agency/superintendency;</p> <p>c) multiple bank supervisory agencies/superintendencies including the Central Bank;</p> <p>d) Multiple bank supervisory agencies/superintendencies excluding the Central Bank;</p> <p>e) Other (please explain)</p>	<p>Practices differ from jurisdiction to jurisdiction. Most jurisdictions have some degree of division of labor in overseeing banks, securities firms, insurance companies. Work can be divided over a number of financial oversight agencies such as the central bank, banking supervisory agency, securities commission, insurance oversight agency.</p>
<p>12.1.1: Are there any banks that are not under the jurisdiction of this agency/agencies? Yes?/No?</p>	<p>In some jurisdictions banks with a governmental economic development objective, which do not fund themselves with retail deposits, or state-owned banks that have an explicit or implicit government guarantee, could fall within this category.</p>
<p>12.2: Is the body/agency in charge of supervising banks also responsible for the supervision of the following financial sectors?</p> <p>a) Insurance;</p> <p>b) Securities;</p>	

<p>c) Pension funds;</p> <p>d) Other (please explain)</p>	
<p>12.3: What document provides the a specific mandate for the agency?</p> <p>a) a law</p> <p>b) a terms of reference/mission statement</p> <p>c) another document (please specify)</p> <p>d) the mandate is not explicitly stated</p>	<p>The mandate of a separate supervision agency will typically be laid down in a law.</p> <p>A less formal terms of reference or mission statement could be used when the supervisory function is part of another agency, e.g. when supervision is exercised by the central bank.</p> <p>No annotation required</p> <p>No annotation required</p>
<p>12.3.1: If so, which of the following financial system responsibilities does the mandate also include</p> <p>a) Systemic financial stability;</p> <p>b) Market conduct;</p> <p>c) Consumer protection;</p> <p>d) Prevention of financial</p>	<p>Increasingly, central banks are taking on responsibility for systemic financial stability, even if they do not carry responsibility for the supervision of all the sectors involved.</p> <p>Market conduct comprises issues related to e.g. fair dealing, avoidance of conflict of interest, disclosure, enforcement of codes of conduct, and oversight over the proper functioning of the banking system.</p> <p>Consumer protection relates to e.g. transparency of prices for bank services, fair treatment of depositors and borrowers, complaints procedures etc.</p> <p>This comprises the issuance of know-your customer rules in the</p>

<p>crime (anti-money laundering/combating financing of terrorism);</p> <p>e) Competition/anti-trust policy;</p> <p>f) Financial market/access development;</p> <p>g) Deposit insurance;</p> <p>h) Bank restructuring/resolution</p> <p>i) Other (please explain)</p>	<p>institution, implementation of reporting of suspicious transactions, cooperation with law enforcement, etc.</p> <p>This comprises prevention of price rigging, undue concentration of economic power, and other anti-competitive actions by market parties.</p> <p>This relates to issues such as lowering access barriers to opening of a bank account, broadening the availability of banking services geographically, possibly extending also to financial literacy.</p> <p>In the interest of continued confidence in banks, which helps savers entrust their deposits to banks, which can then channel funds to the economy, governments create deposit insurance agencies.</p> <p>Banking restructuring/resolution powers are in most cases concentrated in the supervisory agency, with court oversight at the most important moments.</p>
<p>12.3.2: Can the supervisory agency force a bank to change its internal organizational structure?</p> <p>Yes?/No?</p>	<p>A change in organizational structure can imply for instance introducing a better decision making process for loans, requiring separate departments for credit and securities underwriting, putting in place a larger management team, with a better division of labor, requiring the creation of a strong risk management function.</p>
<p>II. Independence and accountability</p>	
<p>12.4: To whom is the supervisory agency legally responsible or accountable</p> <p>a) the head of government (e.g. President, Prime Minister);</p> <p>b) The Finance Minister or other cabinet level official;</p>	<p>No annotation required</p>

<p>c) A legislative body, such as the Parliament or Congress;</p> <p>Other, please explain?</p>	
<p>12.5: How is the head of the supervisory agency appointed?</p> <p>a) Decision of the head of government;</p> <p>b) Decision of the Finance Minister or other cabinet level authority;</p> <p>c) Decision of a legislative body, such as a parliament or congress;</p> <p>d) Other, please explain.</p>	<p>No annotation required</p>
<p>12.5.1: Is the appointment based on a recommendation by an external expert or panel of experts</p> <p>Yes?/No?</p>	<p>It is common for such high level government appointments to be prepared by a committee or panel, which prepares a short list of (often three), candidates, with the preferred choice of the panel at the top of the list. The authority responsible for appointment may or may not, depending on the applicable law in the jurisdiction, deviate from the short list.</p>

<p>12.6: Does the head of the supervisory agency have a fixed term</p> <p>Yes?/No?</p>	<p>One of the ways to promote independence from political pressures is to appoint the head of the agency for a fixed term of say 4 years. Within that time dismissal could only be effected if the head of the agency e.g. be found involved in criminal activity, or become personally incompetent to handle the agency's business due to mental illness or other medical reasons.</p>
<p>12.6.1.: If yes, how long is the term?</p>	<p>Provide the length of the term in the number of years as specified in the law.</p>
<p>12.6.2: Is there a maximum number of terms?</p> <p>Yes?/No?</p>	<p>No annotation required</p>
<p>12.6.3: If yes, please respond how many terms are permitted?</p>	<p>No annotation required</p>
<p>12.7: Can the head of the agency be removed by</p> <p>a) Decision by the head of government, e.g. President, Prime Minister;</p> <p>b) Decision of the Finance Minister or other cabinet level authority;</p>	<p>This question refers to formal decision making powers by these persons/bodies, not informal moral suasion or similar mechanisms.</p>

<p>c) Decision of a legislative body such as Parliament or Congress?</p>	
<p>12.8: Does the supervisory agency need to obtain approval from the government in order to</p> <p>a) Issue binding secondary regulations for the banking sector;</p> <p>b) Determine its budget;</p> <p>c) Obtain funding;</p> <p>d) Hire and fire senior staff;</p> <p>e) Define salaries and benefits structure of staff;</p> <p>f) Define its organizational structure?</p>	<p>Regulations, usually issued on the basis of the law on banking, may need to be vetted, e.g. by the Ministry of Finance’s legal department, or the Ministry of Justice for technical legislative soundness and drafting. To open the technical content of the regulations to discussion with non-banking or non-supervisory third parties could lead to political influence on the techniques used in banking supervision.</p> <p>Determination of the budget of the supervisor depends on its location. If it is in the central bank, its budget will be part of the central bank’s budget. If it is a separate agency, it may need to comply with the overall budget parameters of the Ministry under whose responsibility it falls.</p> <p>Supervisory agencies need funds and a budget to be able to exercise their function. Approval can be required for their budgets and funding from e.g. the central bank, or the government (e.g. ministry of finance).</p> <p>Operational autonomy also extends to staffing, organization, and staff remuneration and benefits.</p> <p>If the supervisor is a government agency (i.e. not in the Central Bank), the remuneration may need to conform to civil service standards.</p> <p>This is strongly connected to the operational autonomy of the supervisor.</p>
<p>12.9: Can individual supervisory staff be held personally liable for damages to a bank caused by their actions or omissions committed in the good faith exercise of their functions</p>	<p>Personal liability of supervisory staff means that individual supervisors can be held liable with their personal assets for damages caused by their actions or omissions in the good faith exercise of their official functions.</p>

<p>Yes?/No?</p>	
<p>12.9.1: If so, has individual supervisory staff been held personally liable in the last five years (2006-2010)?</p> <p>Yes?/No?</p>	<p>This question refers to cases where supervisory staff have been personally formally sued before a court of law by persons/institutions affected by their decisions or actions.</p>
<p>12.10: Can the supervisory agency be held legally liable for damages to a bank caused by its actions</p> <p>Yes?/No?</p>	<p>In many jurisdictions it is possible to sue the supervisory agency for actions or omissions in the exercise of their function.</p>
<p>12.10.1: If so, has the supervisory agency been held legally liable in the last five years (2006-2010)?</p>	<p>No annotation required. Please mention how many times this has occurred.</p>
<p>12.11: Is a formal consultation process with the industry and the public required prior to the introduction of new regulation?</p> <p>Yes?/No?</p>	<p>In order to avoid technical mistakes and to obtain optimal buy-in from the industry, and out of democratic principle, regulators usually obtain structured input from the industry and the public, through an open comment period. Not all jurisdictions issue the draft technical regulations for formal public comment, although bankers' comments will be sought. If there is no formal consultation process, the answer to this question should be no, even if there is for example an informal process for soliciting bankers' views.</p>

<p>12.12: If an infraction of any prudential regulation is found in the course of supervision, must it be reported</p> <p>Yes?/No?</p>	<p>This refers to infractions encountered in banks by supervisory staff while performing their duties.</p>
<p>12.12.1: Are there mandatory actions that the supervisor must take in these cases?</p> <p>Yes?/No?</p>	<p>See above, under question 11.1, 11.3. In a number of jurisdictions, supervisors are obliged to take corrective action when e.g. capital falls below a pre-determined level. Non-compliance with other prudential standards is not generally subject to legally prescribed action by the supervisor, and discretion may be used in how to remedy non-compliance in the most effective way.</p>
<p>12.12.2: Who authorizes exceptions to such actions?</p>	<p>Please describe actual implementation.</p>
<p>12.12.3: How many exceptions were granted during the last five years (2006-2010)?</p>	<p>No annotation required</p>
<p>III. Supervisory approach</p>	
<p>12.13: Please rank from 1-3 (1 being the most important) the relative importance placed on the following activities in banking supervision.</p> <p>a) Analysis and monitoring of compliance and trends</p>	<p>This refers to the off-site supervisory function.</p>

<p>observed from observed from reported prudential returns;</p> <p>b) Review of the accuracy of reports and regulatory compliance;</p> <p>c) Assessments of the risk profile, strategic direction, financial condition, internal governance and controls and risk management</p>	<p>This refers to the reports submitted by the banks to the supervisor.</p> <p>This refers to the assessment of these issues by the supervisor.</p>
<p>12.14: The internal organization of banking supervision can best be characterized as</p> <p>a) Integrated off-site and on-site activities for each entity under a senior/managing supervisor;</p> <p>b) Resident supervisory teams in large systemic complex banks and groups;</p> <p>c) Existence of specialized examiners (e.g. Treasury, IT, risk management) that can be used across different banks?</p>	<p>This approach could be best compared to an account management team responsible for all the relations between two institutions/businesses. Supervisory plans would be developed in close cooperation between the two types of supervisors, they would participate in each others' work, under the oversight of the "account manager", or head supervisor for a particular bank or group.</p> <p>Some banks are so large that supervision is conducted on an ongoing basis. To be able to perform this type of supervision more efficiently, the teams may have offices in the premises of the bank, and may be effectively based there.</p> <p>Many supervisory agencies use a combined approach: generalist supervision, augmented as needed by specialists in certain areas that have been specifically included in the inspection/supervision program for a particular institution.</p>
<p>12.15: Which of the following best describes the bank risk rating methodology used by your agency?</p> <p>a) A rating system using only ratios and indicators built with reported</p>	<p>This question seeks information on the system for assessment of the risk profile of the bank. Methods may be used in parallel.</p> <p>This system does not include any elements of judgment, and is limited to reported data, obtained from periodic prudential reports and other documental sources.</p>

<p>information;</p> <p>b) A rating system combining quantitative information with qualitative assessments of management and controls ;</p> <p>c) A broader risk rating system combining quantitative and qualitative measures of inherent risk;</p> <p>d) Other (Please explain)</p>	<p>This system combines quantitative information with qualitative, and therefore has room for professional judgments on a limited number of areas.</p> <p>This approach provides an integrated approach to the risk profile and risk management by the bank.</p>
<p>12.16: Is the intensity and frequency of the supervisory activities explicitly linked to the bank's risk rating? Yes?/No?</p>	<p>In this question, "explicit" linking means that the link to ratings is spelled out in a supervisory guideline or a similar procedural document.</p>
<p>12.17: Is the risk rating disclosed to the bank's Board? Yes?/No?</p>	<p>This refers to the risk rating developed by the supervisor.</p>
<p>12.18: Do you undertake on-site inspections of material foreign operations (whether in the form of branches or subsidiaries) or do you rely only on host country supervision?</p>	<p>Material foreign operations can for instance consist of large branches or subsidiaries in important financial markets, which are either significant in terms of the head office/parent bank's balance sheet and revenue, or significant on the host country. Responsibility for supervision of foreign operations in a host jurisdiction may differ depending on whether it is a branch or subsidiary. The supervision law will typically not make an exception for supervising foreign subsidiaries, as these are incorporated in the host jurisdiction. Branches may be subject to more limited supervision, e.g. mainly on liquidity, for which it depends largely on the host market, and issues such as fit and proper criteria for managers. Most jurisdictions exercise a form of supervision over foreign establishments, and do not rely fully on home country supervision.</p>

<p>12.19: How many on-site examinations per bank were performed in the last five years (2006-2010)?</p>	<p>By on-site examinations, this question refers to full-fledged examinations of the bank’s operations that include work on bank premises (it excludes ad-hoc, topical, or informal communication with the bank).</p>
<p>12.20: How frequently are on-site inspections conducted in large and medium sized banks?</p>	<p>In most jurisdictions the frequency depends on a number of factors, including resources, risk profile, condition of the bank, compliance record, etc.</p>
<p>IV. Consolidated supervision</p>	
<p>12.21: If you do not have an integrated financial supervisory agency covering all significant financial institutions, how is a financial group with significant banking activities supervised?</p> <p>a) The banking supervisory agency/body is legally empowered to act as the “lead/supplemental supervisor” and supervises on a consolidated basis;</p> <p>b) The banking supervisory agency/body is nominated as the “lead supervisor” under informal arrangements between the relevant parties and supervises on a consolidated basis;</p> <p>c) There is no</p>	<p>The modalities of supervision over a mixed financial group are complex. Accounting consolidation between e.g. banks and insurance companies and securities is technically not straightforward. Securities activities carry different risk characteristics than banking. Insurance companies have much different liquidity needs from banks, and are much less susceptible to runs. Securities companies leave much of the risk to the customers, and in most jurisdictions act mainly as intermediaries. Supervision of these various types of entities by one agency would require specialization and close coordination within the organization.</p> <p>Informal arrangements between different specialized agencies would require great flexibility and coordination.</p> <p>Please also mention the legal instrument authorizing the banking supervisor to act as the lead supervisor.</p> <p>A lead supervisory agency is the agency responsible for supervision over the bulk of a bank’s/group’s business, in cooperation and coordination with other supervisory bodies.</p> <p>Memoranda of Understanding (MoUs) can be very helpful</p>

<p>“lead/supplemental supervisor” but there is coordination between financial supervisors formalized in MoUs;</p> <p>d) Other, please explain?</p>	<p>documents to delineate responsibilities and define boundaries among such agencies. They can also lay down the practical modalities of cooperation and information sharing among the agencies. Many jurisdictions operate with such MoUs. They are also applied internationally, e.g. in the EU.</p>
<p>V. Systemic supervision</p>	
<p>12.22: Is there a specialized department in your agency dealing with financial stability and systemic supervision? Yes?/No?</p>	<p>In increasing numbers of jurisdictions, triggered also by the global financial crisis, supervisory agencies are setting up departments for financial stability and issuing financial stability reviews on a regular basis. These departments are also key in developing a macro-prudential approach to financial stability.</p>
<p>12.22.1: Which of the following factors do you consider in assessing systemic risk</p> <p>a) Bank capital ratios</p> <p>b) Bank leverage ratios</p> <p>c) Bank profitability ratios</p> <p>d) Bank liquidity ratios</p> <p>e) Growth in bank credit</p> <p>f) Sectoral composition of</p>	<p>See annotations above, under section 3 for a definition of regulatory capital.</p> <p>By bank capital ratio we mean the ratio of regulatory capital to either risk-weighted assets.</p> <p>A bank leverage ratio is defined as regulatory capital as a percentage of total assets.</p> <p>Bank profitability ratios include banks’ return on asset ratios and return on equity ratios..</p> <p>Bank liquidity ratios include ratios such as the ratio of short-term assets to short-term liabilities and the ratio of short-term assets to total assets.</p> <p>Growth in bank credit is usually measured in terms of bank credit as a percentage of Gross Domestic Product (GDP). A distinction between overall credit and credit to the private sector is useful.</p> <p>Sectoral composition means the breakdown of bank loans into, for</p>

bank loan portfolios	instance, residents and non-residents, households and corporates, and by the various industries.
g) FX position of banks	The FX position stands for the exposure to exchange rate risk as a proportion of capital. It measures the unhedged mismatch (open position) of foreign currency asset and liability positions to assess the potential vulnerability of the sector's capital position to exchange rate movements.
h) Bank non-performing loan ratios	Non-performing loan ratios would typically be a ratio of (gross) non-performing loans to total loans or the ratio of (net of provisions) non-performing loans to capital.
i) Bank provisioning ratios	Bank provisioning ratio would be the ratio of provisions made relative to the amount of non-performing loans.
j) Stock market prices	This refers to the degree of volatility of stock market prices.
k) Housing prices	This could include residential housing prices as well as commercial real estate.
l) Other (please specify)	Examples of other indicators may include data on leverage in the corporate sector or household sector, information extracted from bond markets or CDS markets, ratings, data on exposures among financial institutions, and so on. Please list the specific variables being used.
12.23: Is your agency responsible for publishing a financial stability report? Yes?/No?	A financial stability report (or "financial stability review") is a regular (usually semi-annual or annual) and usually stand-alone publication presenting the agency's overall assessment and in-depth analysis of stability in the country's financial system, and changes therein.
12.24: If your agency is not directly responsible for publishing a financial stability report, do you provide input to the responsible agency for such a report? Yes?/No?	Input could consist of data on non-performing loans, prudential ratios, exchange rate and interest rate risk run by the banks, derivatives exposures, and other information mentioned in 12.22.
12.25: Do you conduct stress tests as part of the process of assessing systemic stability?	Stress testing is a diagnostic tool for assessing banks' vulnerabilities. It examines what would be the effect on banks' liquidity and solvency should an extreme but plausible adverse scenario occur.

Yes?/No?	
<p>12.26: If you perform stress tests, at which level are they performed</p> <p>a) At the individual bank level, using banks' own models;</p> <p>b) At the system-wide level, using bank-by-bank data;</p> <p>c) At the system-wide level, using aggregate data;</p> <p>d) Other (please explain).</p>	<p>If several options apply, please check all that apply.</p>
<p>12.27: Do you have any counter-cyclical regulations or tools to dampen boom/bust cycles in credit flows?</p> <p>a) Countercyclical capital requirements;</p> <p>b) Countercyclical loan to value ratios;</p> <p>c) Granular capital requirements based on loan to value ratios;</p> <p>d) Countercyclical provisioning requirements;</p> <p>e) Temporary restrictions on dividend and bonus distributions.</p>	<p>Banks can build up capital faster in good times than in bad times, so a case can be made to impose higher capital margins in good times to provide a more robust risk buffer in bad times.</p> <p>This would imply that higher down payments on loans would be required in good times, forcing households to leverage their income to a lesser degree, and pay more out of their savings, leaving them less vulnerable when their financial situation is weaker.</p> <p>For specific groups of loans, e.g. mortgages, capital requirements could be raised in good times, to provide more robust protection against downturns.</p> <p>This mechanism is very similar to the previous one, as higher provisioning in good times, when it is more affordable to do so, helps banks build a stronger buffer against downturns.</p> <p>These are mechanisms that increase the proportion of retained earnings, and accelerate the buildup of additional capital.</p>

<p>12.28: Do you supervise systemic institutions in a different way than non-systemic ones? Yes?/No?</p>	<p>Non-systemic, smaller banks generally have simpler balance sheets and business risks, and are relatively straightforward to supervise. Problems in such banks will not spread to other institutions as readily as in the case of systemic banks. Supervision of smaller banks can therefore be different from that with regard to systemic banks. This does not necessarily imply that this different mode of supervision is always laid down in formal arrangements. It can also be seen in the allocation of more and higher qualified staff, more frequent and higher level discussions between the bank and the regulators, and more attention to macro-prudential aspects such as the longer term outlook for interest rates and exchange rates, growth, inflation, connections with markets abroad, etc.</p>
<p>12.29: If yes, do you have any tools to oversee more closely and/or limit the activities of large/interconnected institutions?</p> <p>a) Additional capital requirements;</p> <p>b) Additional liquidity requirements;</p> <p>c) Asset/risk diversification requirements;</p> <p>d) Restrictions/limits on activities;</p> <p>e) Restrictions/limits on size of institution;</p> <p>f) Additional corporate taxes for large institutions;</p> <p>g) Closer or more frequent supervision;</p>	<p>This refers to where the supervisor has the legal powers to force large and interconnected banks to adjust the risk profile of their activities and/or their capital levels.</p> <p>This refers to a situation where the supervisor has the legal power to put in place additional liquidity requirements for large and interconnected banks.</p> <p>Asset/risk diversification refers to the limitation of spreading, and thus limiting risk, by acquiring assets of various types, with different risk characteristics.</p> <p>This refers to the power of the regulator to prohibit or limit the type of activities that large and connected institutions can undertake.</p> <p>Restrictions may be considered on group structure as well as balance sheet magnitudes of individual group entities.</p> <p>Problems in large institutions can entail high costs to the government. Higher taxes on such institutions could help offset this cost.</p> <p>Large and/or interconnected firms can entail large systemic risks, which could justify commensurately more intensive supervision. The complexity of a group's legal structure, in particular with regard to group entities abroad, is relevant to the effectiveness of</p>

<p>h) Restrictions on the group's legal structure;</p> <p>i) Other (please explain)</p>	<p>supervision.</p> <p>Supervisors may have powers to require simplification of the group structure, when this is so complex as to hinder effective supervision.</p>
<p>VI. Supervisory staff</p>	
<p>12.30: How many professional bank supervisors are there in total</p>	<p>Professional level staff refers to university – or comparable – level trained staff. The total count should exclude all support functions and management.</p>
<p>12.31: Of these, how many are specialized in specific bank functions (e.g. IT, Treasury), or risks (e.g. credit, market, operational risk)?</p>	<p>No annotation required</p>
<p>12.32: What percentage of the supervisors have bachelor or equivalent degrees?</p>	<p>Four year college training results in a bachelor's degree, or similar qualification awarded by a tertiary education institution. . Institutions abroad may not always have a similar four year structure for their curricula.</p>
<p>12.33: What percentage of the supervisors have post-graduate degrees such as MBAs, CPAs or CFAs</p>	<p>Foreign institutions or curricula for post-graduate education may award different titles than Master of Business Administration, Certified Public Accountant, or Certified Financial Analyst, even if the level of training is equivalent.</p>
<p>12.34: How many hours of training (at the supervisory agency or elsewhere) on average have supervisors had in the last year?</p>	<p>This information may be drawn from human resources records or time sheets.</p>
<p>12.35: What is the average salary of a senior supervisor (someone with 10 or more years of experience bank supervision)? (in US \$ and/or domestic currency, please state the currency)*</p>	<p>Mention gross annual salary, including bonuses.</p>
<p>12.36: What was the total budget for banking supervision during 2010?</p>	<p>Please state the currency</p>

(in US\$ or local currency).*	
12.37: What was the source of this funding? a) Allocation from the government budget; b) Fees and assessments paid by regulated banks; c) Other (please explain)	If this is a combination of sources (e.g. banks, government budget), please provide the share of these sources. No annotation required
12.38: How many of the bank supervisors have more than ten years' experience in bank supervision?	No annotation required
12.39: What is the average tenure of banking supervisors?	For the supervisory staff, please provide the average number of years that they have been supervisors.

13. Banking sector characteristics (for more detail concerning many of the definitions: see the Financial Soundness Indicators Compilation Guide; IMF 2006)	
Question	Annotation
13.1: How many commercial banks were there at End of 2008 End of 2009 End of 2010?	Commercial banks include all registered and supervised banks that are authorized to take deposits, and/or grant loans and, make investments.
13.1.1: Of all deposit taking institutions in your country, what fraction of their assets is held by just commercial banks End of 2008 End of 2009	Not all jurisdictions register all deposit taking institutions as fully licensed commercial banks. Exceptions can be for instance small savings banks or credit unions which in some jurisdictions are restricted in their lending activities to retail and consumer lending, or may not lend abroad, offer foreign exchange services, or lend to commercial enterprises.

End of 2010?	
13.2: What were the total assets of all commercial banks (expressed in local currency)* at End of 2008 End of 2009 End of 2010	This refers to the total amount of assets as appearing on the asset side of the balance sheet.
13.3: What was the total equity of all commercial banks (expressed in local currency)* at End 2008 End 2009 End 2010	This includes shares, stocks, participation, or similar documents. Preferred stocks or shares, which also provide for participation in the distribution of the residual value on dissolution of an incorporated enterprise, are included.
13.4: What were the total deposits of all commercial banks (expressed in local currency)* at End 2008 End 2009 End 2010	Deposits include all non-negotiable financial claims represented by evidence of deposit. These include sight deposits that permit immediate cash withdrawals, savings and fixed-term deposits, including nonnegotiable certificates of deposit and deposits denominated in foreign currency.

<p>13.5: What were the total loans of all commercial banks (expressed in local currency)* at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Loans include financial assets created through the direct lending of funds by a creditor to a debtor through an arrangement in which the lender either receives no security evidencing the transactions or receives a non-negotiable document or instrument.</p>
<p>13.6: Of commercial banks in your country, what percentage of total assets was held by the five largest banks at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>See annotation under 13.2</p>
<p>13.6.1: Of commercial banks in your country, what percentage of total deposits was held by the five largest banks at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>See annotation under 13.4.</p>
<p>13.7.1: What percentage of the banking system's assets was in banks that were government controlled, at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>A government controlled bank is one where the government exercises control through ownership of more than 50% of voting shares, or other forms of control.</p>

<p>13.7.2: What percentage of the banking system assets was in banks that were foreign controlled (e.g. where foreigners owned 50% or more of equity) at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Foreign controlled means that non-resident persons or enterprises own more than 50% of voting shares, or exercise control in other ways.</p>
<p>13.8: What percentage of the total foreign owned bank assets in your domestic banking system was held in branches, as opposed to other juridical forms (e.g. subsidiaries) at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Foreign owned bank assets are assets in foreign controlled (see above) banks.</p>
<p>13.9: What was the after tax return on equity for the commercial banking system in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Return on equity is calculated by dividing net income for the banking system (gross income less gross expenses) by the average value of capital over the same period for the banking system.</p>

<p>13.10: What was the aggregate net interest margin for the commercial banking system (expressed in local currency)* in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>The net interest margin consists of gross interest revenue, minus provisions for unpaid interest, and minus interest expense. Calculate this ratio for the banking system by summing gross interest revenues (minus provisions for unpaid interest) for all banks and subtract interest expenses for all banks and divide by total assets for all banks.</p>
<p>13.11: What percentage of the commercial banking system's total gross income was in the form of non-interest income in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Gross income consists of net interest income, plus fees and commissions, the outcome of gains minus losses on financial instruments, prorated earnings (income from equity holdings based on proportion of ownership), and other income. Calculate this ratio for the banking system by summing non-interest income for all banks and dividing by total gross income for all banks.</p>
<p>13.12: What was the aggregate operating cost to asset ratio for the commercial banking system in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>This ratio refers to the aggregate operating cost as a percentage of total assets. Operating expenses include outlays relating to ordinary banking business (other than interest expenses) such as personnel costs, expenses for property and equipment, rent, depreciation, and other expenditures related to the operations, including purchases of goods and services (e.g. advertising), staff training, fees for other services provided, and royalties. Calculate this ratio for the banking system by summing operating costs for all banks and dividing by total assets for all banks.</p>
<p>13.13: What was the ratio of non-performing loans (gross of provisions) to total gross loans in</p> <p>End 2008</p> <p>End 2009</p>	<p>Gross non-performing loans (NPLs) (before deduction of provisions or markdowns) include payments of principal and interest that are past due by three months (90 days) or more, and interest payments equal to three months (90 days) interest or more that have been capitalized (reinvested into the principal amount), refinanced, or rolled over. NPLs should also include loans with payments less than 90 days past due that are recognized as nonperforming under national supervisory guidance. NPLs should comprise the gross value of the loan as recorded on the balance sheet, not just the amount that is overdue. Calculate this ratio for</p>

End 2010	the banking system by summing non-performing loans for all banks and dividing by total gross loans for all banks
<p>13.14: What was the ratio of specific provisions to gross non-performing loans in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Specific provisions are the outstanding amount of provisions made against the value of individual loans, collectively assessed groups of loans, and loans to other deposit takers. Calculate this ratio for the banking system by summing specific provisions for all banks and dividing by non-performing loans (defined in q.13.13) for all banks.</p>
<p>13.15: What was the ratio of general provisions to total gross loans in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>General provisions are experience based provisions on homogeneous categories of exposures such as credit card debt. Calculate this ratio for the banking system by summing general provisions for all banks and dividing by gross loans for all banks.</p>
<p>13.16: What percentage of the commercial banking system's assets was foreign currency denominated at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Calculate this ratio by summing up all assets denominated in foreign currency for all banks and divide by total assets for all banks.</p>

<p>13.17: What percent of the commercial banking system's liabilities was foreign currency denominated at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>The commercial banking system's liabilities consist of the total of the liabilities side of the balance sheets of all commercial banks in the system. Calculate this ratio by summing foreign currency denominated liabilities for all banks and dividing by total liabilities for all banks.</p>
<p>13.18: What percentage of the commercial banking system's assets was in public sector claims at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>The commercial banking system's assets comprise the total of the assets side of the balance sheet of all commercial banks in the system. Public sector claims comprise all claims of all commercial banks in the system on the central government, regional and local government entities, as well as state owned enterprises that operate under the financial responsibility of the state. Calculate this ratio for the banking system by summing public sector claims for all banks and dividing by total assets for all banks.</p>
<p>13.19: What percentage of the commercial banking system's assets is funded with deposits at</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>See definition of deposits under annotation under 13.4 Calculate this ratio for the banking system by summing deposits for all banks and dividing by total assets for all banks.</p>
<p>13.20: What percentage of total bank assets were residential real estate loans in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Residential real estate loans are loans to individual home buyers, or to developers building individual homes intended for sale to retail customers in the short term. Calculate this ratio for the banking system by summing residential real estate loans for all banks and dividing by total assets for all banks.</p>

<p>13.21: What percentage of total bank assets were commercial real estate loans in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Commercial real estate loans are loans collateralized by commercial real estate, loans to construction companies, and loans to companies active in the development of real estate. Calculate this ratio for the banking system by summing commercial real estate loans for all banks and dividing by total assets for all banks.</p>
<p>13.22: What percentage of residential real estate loans were securitized in</p> <p>End 2008</p> <p>End 2009</p> <p>End 2010</p>	<p>Residential real estate loans are loans that are collateralized by residential real estate. Residential real estate includes houses, apartments, and other dwellings (such as houseboats and mobile homes), and any associated land intended for occupancy by individual households. Calculate this ratio for the banking system by summing residential real estate loans that were securitized for all banks and dividing by total residential real estate loans for all banks.</p>
<p>13.23: What is the statutory corporate tax rate on bank income as of end 2010?</p>	<p>The statutory corporate tax rate on bank income is the legal percentage of tax applied to taxable bank revenue.</p>
<p>13.24: What was the effective tax rate on the aggregate commercial banking system's pre-tax income at the end of 2010?</p>	<p>The effective tax rate is the percentage of tax actually owed by the banks in this year.</p>
<p>14. Consumer Protection</p>	
<p>Question</p>	<p>Annotation</p>

<p>14.1 Does your agency have the responsibility to implement, oversee and/or enforce <u>any</u> aspect of financial consumer protection laws and regulations that apply to banks?</p> <p>a. Yes b. No, financial consumer protection laws and regulations are implemented, overseen and enforced by other government agencies c. Other, please describe</p>	<p>Financial consumer protection laws may for instance include laws or regulations on transparency of lending conditions (“truth in lending”), mandatory disclosure of annual interest rate percentages, “plain language” requirements (i.e. the avoidance of unnecessarily complex or convoluted contractual language), local language requirements (i.e. to make sure that the customer can read and understand the terms of the contract), periods within which borrowers can decide to back out of the loan contract, etc. They may also for instance create mandatory procedures to mediate between banks and customers on contractual differences.</p>
<p>14. 2 If your agency has the responsibility to implement, oversee and/or enforce any aspect of financial consumer protection laws, is there a separate unit or team designated to work on consumer protection in your agency?</p> <p>a. Yes b. No c. Does not apply</p>	<p>This refers to the existence and responsibilities of separate teams or units within the supervisory agency to implement and/or oversee the observance of consumer protection rules. In some jurisdictions the supervisory agency has authority to mediate between banks and customers.</p>
<p>14.3 What actions can your agency take to enforce consumer protection laws and regulations? Please mark all that apply and for each one,</p> <p>a. Issue warnings to financial institutions b. Require providers to refund excess charges c. Require providers to</p>	<p>“Actions” refers to informal, and/or legally enforceable measures taken by the agency.</p> <p>A warning can be used as a preliminary step toward further more binding action, and can for instance request that the bank modify its practices and policies to conform with consumer protection rules. .</p> <p>Excess charges can consist for instance of interest paid above the contractual and disclosed contractual annual percentage interest rate, or fees that may have been charged but not disclosed in advance.</p> <p>Misleading advertisements can for instance include incorrect</p>

<p>withdraw misleading advertisement</p> <p>d. Impose fines and penalties</p> <p>e. Issue public notice of violations</p> <p>f. Withdraw the offending provider's license to operate</p> <p>g. Other, please specify</p>	<p>interest rates, may not disclose fees and charges.</p> <p>No annotation required.</p> <p>Public notice can consist for instance of publication in the media, and/or on websites, in the supervisor's publicly disclosed reports, or in trade- or judicial journals.</p> <p>No annotation required. Such withdrawals can for instance be imposed for a specific time.</p>
<p>14.4 Please indicate the number of times the actions stated above in 14.3 were taken in the last five years (2006-2010)</p> <p>a. Issue warnings to financial institutions</p> <p>b. Require providers to refund excess charges</p> <p>c. Require providers to withdraw misleading advertisements</p> <p>d. Impose fines and penalties</p> <p>e. Issue public notice of violations</p> <p>f. Withdraw the offending provider's license to operate</p> <p>g. Other, please specify</p>	<p>No annotation required. See above for explanation of terms.</p>
<p>14.5 By law or regulations, are banks required to notify consumers in writing of pricing, terms and conditions of financial products prior to signing an agreement? Yes/No</p>	<p>Such notifications can take the form of for instance (through a combination of) inclusion in the terms of the contract between the customer and the bank, inclusion in the general terms of business, posting in a public space, in advertisements. The text of the rules on consumer protection and/or the contract can also require that the customer explicitly acknowledges, and signs for, certain parts of the contract, specific conditions etc. Customers can also be asked to acknowledge that they have read and understand the contract.</p>

<p>14.6. By law or regulation, which of the following are part of the disclosure requirements mentioned in 14.5 that banks need to comply with upon signing any financial product contract</p> <p>a. Plain language requirement (Clear and simple language that can be readily understood by any customer)</p> <p>b. Local language requirement</p> <p>c. Prescribed standardized disclosure format (e.g., one-page "Key Facts" document)</p> <p>d. Clearly spell out recourse rights and processes</p>	<p>See above for explanation of “plain language”.</p> <p>See above for explanation of “local language”.</p> <p>This can refer to for instance a specific page at the top of the contract, setting out briefly the main terms, e.g. names and addresses of parties, amount of the contract, maturity, interest rate, basic repayment terms.</p> <p>Recourse rights can include the right to request mediation and/or initiate a lawsuit before the courts. The rules can set out how mediation should be requested; how such procedures are conducted, e.g. whether the customer has the right to be represented by legal counsel, who shall give the final opinion on the issue being contested, whether recourse to regular courts of law is possible to appeal against the mediation decision, etc.</p>
<p>14.7 By law or regulation, which of the following are part of the disclosure requirements mentioned in 14.5 that banks need to comply with upon signing a deposit contract:</p> <p>a. Annual percentage yield and interest rate</p> <p>b. Method of compounding</p>	<p>This refers to the real interest percentage paid by the bank on a deposit on an annual basis.</p> <p>This refers to the method used by the bank to calculate the total amount on which the interest rate shall be applied, i.e. including</p>

<p>c. Minimum balance requirements</p> <p>d. Fees and penalties</p> <p>e. Early withdrawal penalties</p>	<p>both principal amount and the interest already paid on the deposit.</p> <p>Banks sometimes require a certain minimum deposit amount before the deposit starts to earn interest.</p> <p>No annotation required.</p> <p>Early withdrawal penalties can apply for instance when a customer has made a term deposit, promising not to withdraw the deposit for instance for one year, and wishes to withdraw after six months.</p>
<p>14.8 By law or regulation, which of the following are part of the disclosure requirements mentioned in 14.5 that banks need to comply with upon signing a credit contract :</p> <p>a. Annual percentage rate using a standard formula</p> <p>b. Fees</p> <p>c. Computation method (average balance, interest)</p> <p>d. Required insurance</p>	<p>The standard formula is the formula used by the bank for all credits in a certain category, e.g. mortgages, or consumer loans, and which helps the customer be aware of his/her rights under the contract.</p> <p>Fees relate to amounts charged by the bank for instance for documentation preparation, checks on creditworthiness, photocopying.</p> <p>This can refer to the method used by the bank to calculate the average outstanding amount on the loan, as a basis for calculation of the interest amounts due by the customer.</p> <p>Required insurance refers to the requirement incumbent on the customer to insure the object of the credit, for instance the home on which a mortgage had been given.</p>
<p>14.9 By law or regulation, are banks required to provide their customers with a periodic statement of their accounts?</p> <p>a. Yes, periodic statement must be provided free of charge with the following frequency:</p> <p> i. Monthly</p> <p> ii. Quarterly</p>	<p>Periodic statements typically include the start-and-end-of –period amount on the deposit, the transactions conducted through the account, with dates, amounts and short indication of the transactors, as well as the annual percentage interest rate on the account balance.</p>

<ul style="list-style-type: none"> iii. Annually iv. Other b. No, but a statement can be provided free of charge upon customer request c. No, but customer can purchase this additional service d. Regulations do not specify 	<p>No annotation required.</p> <p>Fees charged for this service could be part of the required disclosures when entering the deposit agreement.</p> <p>No annotation required.</p>
<p>14.10 By law or regulation, which of the following are part of the disclosure requirements for periodic statements for deposit products?</p> <ul style="list-style-type: none"> a. Annual percentage yield calculated using a standard formula b. Amount of interest earned c. Fees imposed d. Account balance 	<p>The standard formula is a formula applicable to all deposits of a certain category, e.g. sight deposits or term deposits which helps the customer be aware of his/her rights under the terms of the deposit agreement.</p> <p>No annotation required</p> <p>Fees could be charged by the bank e.g. as initial fees for opening a deposit account, for the execution of payments by check or transfer, for early withdrawals in case of term deposits, or for sending hard copy statements, and other incidental fees.</p> <p>No annotation required.</p>
<p>14.11 By law or regulation, which of the following are part of the disclosure requirements for periodic statements for credit products?:</p> <ul style="list-style-type: none"> a. All transactions concerning the account for the period covered by the statement 	<p>Transactions will typically include amounts paid back by the debtor that will lower the outstanding balance of the credit, possibly amounts drawn by the customer under the credit, interest owed and added to the balance of the loan. Under a line of credit,</p>

<p>b. Annual percentage rate (applied during the period)</p> <p>c. Interest charged for the period</p> <p>d. Fees charged for the period</p> <p>e. Minimum amount due</p> <p>f. Date due</p> <p>g. Outstanding balance</p>	<p>the statement could include payment orders made by the customer under the line of credit.</p> <p>No annotation required. See above, under Q 14.7.</p> <p>This could for instance refer to fees charged for activities of the bank to administer the credit, late fees for overdue repayment, etc.</p> <p>This refers to the minimal periodic repayment under the loan, usually in the form of a fixed amount, made up of an interest and principal component.</p> <p>Date due refers to the latest date on which the payment under the loan should have been received by the bank.</p> <p>“Outstanding balance” refers to the total amount owed to the bank by the customer at the end of the reporting period under the contract, and can consist of principal as well as interest owed.</p>
<p>14.12 Are there specific provisions in the existing laws or regulations that restrict:</p> <p>a. Deceptive advertising</p> <p>b. Unfair or high-pressure selling practices</p> <p>c. Abusive collection practices</p>	<p>Deceptive advertising can for instance consist of unclear real costs of a loan or deposit, unclear conditions of eligibility for a loan, unclear information about changes in interest rates charged for the loan or paid on deposits.</p> <p>Unfair or high pressure selling practices can refer for instance to the exercise of undue time pressure to sign the loan contract, not allowing enough time for reflection by the client, offering more credit than the customer can afford to repay, abusing customer ignorance or fear.</p> <p>Abusive collection practices can consist of threatening with unjustifiably harsh or onerous legal actions, playing on customer fear of legal action, taking collection action without fair warning, taking legal action without observing a fair grace period.</p>

<p>d. Unauthorized use of client data or breach of client confidentiality</p>	<p>This can include selling of customer information to third parties outside the bank, for commercial purposes, and without express and informed customer consent.</p>
<p>14.13 Does any law or regulation set standards for complaints resolution and handling by financial institutions, including (mark all that apply):</p> <p>a. Requirement for financial institutions (banks) to implement procedures and processes for resolving customer complaints</p> <p>b. Timeliness of response by financial institution (banks)</p> <p>c. Accessibility (i.e. can a complaint be filed with a local branch, by phone, etc)</p>	<p>Complaints resolution mechanisms can include private mediation on an agreed basis between the bank and the customer, or public law mechanisms such as lawsuits before a court of law.</p> <p>The law can for instance require that banks offer private procedures to resolve customer complaints, surrounded by the necessary due process mechanisms.</p> <p>The law can require that a complaint needs to be resolved within a specified period of time.</p> <p>The law can require that the customer can access any office of the bank to file a complaint, and be assured that the complaint will be properly processed.</p>
<p>14.14 Is there a system in place that allows a customer of a financial institution (bank) to seek affordable and efficient recourse with a third party (a financial ombudsman or equivalent institution) in the event that the customer's complaint is not resolved to the customer's satisfaction under internal procedures of the relevant financial institution? (Please mark all that apply):</p> <p>a. Yes, financial ombudsman</p>	<p>A financial ombudsman is an independent person or agency, with specific financial/banking expertise, who is authorized to investigate customer complaints, including obtaining information</p>

	<p>from banks and customers, can hear witnesses, and can recommend action by the bank and/or the customer to resolve the complaint. In some jurisdictions such recommendations can be binding upon bank and customer.</p>
b. Yes, general ombudsman	<p>A general ombudsman is a independent person or agency authorized as indicated above, but not specialized in financial/banking issues.</p>
c. Yes, a mediation service	<p>A mediation service is a third party mediator/mediation office, (other than the bank or customer) who the bank or customer can engage, usually against payment, to help resolve the complaint.</p>
d. No, dispute has to be resolved in court	<p>The courts are always available to deal with disputes about the proper implementation of the contract between the customer and the bank, in particular if the other dispute resolution mechanisms have not resulted in a solution.</p>

***: Due to issues of comparability, the responses to these questions are not included in the Excel dataset.**