15th ANNUAL MEETING OF THE COMMITTEE OF BANK SUPERVISORS IN WEST AND CENTRAL AFRICA

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The 15th Annual Meeting of the Committee of Bank Supervisors in West and Central Africa (CBSWCA) took place in Yaounde, headquarters of the Bank of Central African States (BEAC), on 5 and 6 August 2010.

Taking part in the Meeting were delegates in charge of banking supervision within the following institutions:

- Bank of Ghana,
- Central Bank of the Republic of Guinea,
- Central Bank of Congo,
- Central Bank of The Gambia,
- Central Bank of Sudan,
- West African Monetary Union Banking Commission,
- Central African Banking Commission (COBAC),
- West African Monetary Institute, as observer.

The opening ceremony, presided at by Mr. Lucas ABAGA NCHAMA, Governor of BEAC and Chair of COBAC, was marked by two addresses.

In his keynote address, Mr. IDRISS AHMED IDRISS, Secretary General of COBAC, gave a brief overview of CBSWCA, highlighting the fact that CBSWCA was created in April 1996 with the main objectives of providing a forum for consultation and cooperation between its members on banking supervision issues. Its activities centred mostly on training supervisors from member countries, harmonising supervision rules and practices, contributing to international standardisation through the Basel Committee on Banking Control and holding regular annual meetings.

The Chair of COBAC and Governor of BEAC, Mr. Lucas ABAGA NCHAMA then took over to solemnly welcome all the delegations to Yaounde and to open deliberations. He seized the opportunity to dwell on the recent financial crisis that is at the backdrop of the deliberations of this Annual Meeting. It emerged that this crisis stems from a combination of factors, among which is the inadequacy of the banking supervision system and insufficient equity capital to absorb losses. International mobilisation led to a good number of measures enabling to consider in the very short run to enhance the solidity of the various banking and financial systems with, the additional incentive, of improving the quality of supervision and regulation in this sector.

Touching on the case of CEMAC, in particular, Mr. Lucas ABAGA NCHAMA recalled that the financial crisis had no direct significant impact on the credit institutions of CEMAC thanks chiefly to the regulatory framework in force, vigilance the supervision body, low level of integration of banks in the international banking and financier system and the comfortably liquidity position of these banks. He then mentioned measures taken by the supervision body like raising the level of minimum capital required before stressing that despite the crisis, the banking system of CEMAC portrayed a globally positive financial outlook.

Deliberations kicked off with the presentation by Mr. Jean-Philippe SVORONOS, Senior Financial Specialist at the Financial Stability Institute of Bank for International Settlements, of solutions suggested by the Basel Committee to fight off the recent crisis. He underscored the fact that the financial crisis is, according to the Basel Committee, the consequence of the compounding effect of increased leverage effects on the balance sheet and off-balance sheet of banks, the progressive erosion of the level and quality of equity capital and insufficient liquid asset reserves. This crisis was amplified by the systemic interconnection of credit institutions via a broad spectrum of intricate transactions and the loss of confidence in the market, solvency and liquidity of most credit institutions. This led to systemic losses and re-intermediation of accrued off-balance sheet positions within “almost all the banking system”.

In response to this crisis, the Basel Committee proposed a series of reforms focussed mostly on redefining equity capital that should become more rigorous and re-align it on capital; risk coverage that should improve; consolidating Pillars 1 and 2 of Basel II; putting in place two liquidity ratios geared to boost the capacity to resist a liquidity crisis in the short and long term; and, introducing a ratio limiting the leverage effect which is expected to limit and link the growth of activities (balance sheet and off-balance sheet) of credit institutions to that of equity capital meant to absorb losses likely to stem from these activities. The agenda provides for the ultimate calibrations of these reforms to be available in December 2010.

CBSWCA members then met in camera. This first session was chaired by the Assistant Secretary General of COBAC, Mr. Rafaël TUNG NSUE, in the absence of the outgoing Chair of the Committee. After adoption of the agenda, a round table discussion was held on recent developments in banking supervision within member countries.

In the Democratic Republic of Congo, the banking landscape witnessed the emergence of new actors taking to 23 thee number of approved banks, including 19 in activity. Minimum capital was raised from 5 to 10 millions American dollars starting from January 2010. Governance and risk management was enhanced. The new accounting framework of credit institutions became effective in 2010. The Central Bank of Congo (BCC) undertook to acquire a quotation system for credit institutions, a deposit insurance mechanism and regulations on lease credit and electronic money. The Department of Supervision of Financial Intermediaries was reorganised into three subdepartments and nine services. The supervision missions of the financial system were computerised thanks to the introduction of new software. On-the-spot control capacities were enhanced.

In Ghana, a new classification system for banks was adopted. Regulatory reforms were initiated in the past years. They centred on banking laws, the anti-money laundering law, the law on debts and borrowers, and the law on credit reporting, currency exchange regulations, mortgage financing and non-banking financial institutions. In addition, the minimum capital required for banks was raised from 7 to 60 million Cedis. Risk-based supervision was adopted as from 2007. The transition to Basel II is planned for 2012. The Bank of Ghana has complied with almost all the 25 principles for an effective banking control, enacted by the Basel Committee.

The Republic of Guinea also saw an increase in the number of banks in activity, from 9 in 2008 to 12 in 2010 (for 14 approved banks), but the banking system remains relatively concentrated. The minimum capital required evolved from 25 000 million Guinean francs in 2008 to 35 000 million in 2010 and is expected to reach 50 000 million in March 2011. Prudential standards are diversely respected. Declaration periods for accounting positions were extended to 15 days as from the closure date. Finally, conditions for performing the duties of auditor in banks and financial institutions were defined.

The West African Monetary Institute (WAMI) presented the economic situation of all member countries of the Economic Community of West African States (ECOWAS) before stressing on current integration projects. All member countries have increased their capital in this venture. A stock market was created in Sierra Leone and a project is underway in Guinea. Trade integration projects are heralded. The ZMAO currency will be created in 2015 and in 2020 the single currency will see the light with the CFA franc of ECOWAS.

In the Gambia, the number of banks in activity increased to 14 banks. The minimum capital required was raised to 5 600 million American dollars that banks should respect before the end of December 2011. From supervision based on rules, the Central Bank of The Gambia moved to risk-based supervision and conformity. Moreover, the control of banks was separated from control of non-financial banking institutions. Regulations now require a prior approval of administrators and senior management by the supervisor. An obligation for reporting to the central bank has been instituted for external auditors who should hold regular tripartite meetings with the bank audited and the banking supervisor. Banks are authorised to invest in other economic areas. The transition to Basel II and full compliance to the 25 principles for effective banking control are considered for 2015. A reference framework on corporate governance is being adopted. A financial investigation unit has been set up within the central bank to complete the anti-money laundering mechanism.

Within the West African Monetary Union (WAMU), the number of credit institutions increased by 2, to stand at 118 (99 bank and 19 financial institutions). 17 banking groups represent an important weight within the Union. Given this situation, the WAMU Banking Commission also conducted verification of the holdings of these groups. The minimum capital required was raised to 10 000 million for banks and 3 000 million for financial institutions. Actions were undertaken to ensure respect of this provisions by all institutions in activity. Modernising the institutional framework continued as part of a vast reform that should allow the Banking Commission to control microfinance institutions, levy financial sanctions against institutions, define differential prudential standards according to institutions, set deadlines for the Minister of Finance to reply to a view or decision of the supervision, body etc.

Within the Central African Economic and Monetary Community (CEMAC), there are 56 credit institutions (44 banks and 12 financial institutions). The minimum capital required was raised to 10 000 million for banks and 2 000 million for financial institutions. In addition to regulations on corporate governance adopted in 2008, new provisions compelling credit institutions to draft business continuity plans was adopted. The reporting mechanism also evolved by granting more priority to qualitative analysis. The implementation of Basel II is underway. Control of microfinance institutions has been strengthened.

Each paper was followed by constructive debates. Participants in this way abundantly exchanged ideas on the organisation of supervision in the various countries, relations between supervision body, central bank and the Minister of Finance, bank secrecy within the purview of a "*credit bureau*", risk-based supervision, electronic money issue, implementation of international standards, provisioning of outstanding debts and their tax treatment, treatment of institutions in trouble, supervision of the microfinance sector, putting in place deposit security funds, quotation systems, etc.

Deliberations continued with reading of the report by the outgoing Chair of CBSWCA Mr. ESSA A. K. DRAMMEH, Director of Banking Supervision of the Central Bank of The Gambia who replaced his fellow countryman, Monsieur OUSMAN A. SOWE, at this post. In 2008, the Committee adopted as main activities signature of the CBSWCA Charter, effective functioning of the Permanent Secretariat, harmonisation of supervision practices, harmonisation, training of supervisors, development of a common forum for reporting to favour comparisons, encouragement of members to sign cooperation agreements among themselves and the return of Cape Verde and Rwanda to the fold of the Committee. Efforts to achieve these objectives have engaged. They should be continued by new Committee.

The election of the new Chair was then carried out. Members voted-in the Secretary General of COBAC, Mr IDRISS AHMED IDRISS for a one-year mandate ending during the next annual meeting.

A decision was taken on the ratification of the CBSWCA Charter by its members was taken. Members were encouraged to obtain the necessary authority for signature of this Charter.

The activities programme of CBSWCA for 2010/2011 was adopted.

Finally, members the Committee expressed their heartfelt gratitude to the Central African Banking Commission for the warm welcome granted them on the occasion of this 15th Annual Meeting.

The 16th Annual Meeting will hold in 2011 at Conakry, in the Republic of Guinea.

Done at Yaounde, 6 August 2010