

Status of implementation of Basel II by the Central Bank of Swaziland

**FINANCIAL REGULATION
DEPARTMENT**

JULY, 2016



Background

- CBS's current capital framework guided by Basel I with tier 1 and total capital to risk weighted assets at 4% and 8% respectively.
- However, 1996 market risk amendment has not been incorporated.
- Implemented RBS in 2009 which culminated in the issuance of Risk Management Guidelines which have led to improvements in banks' risk management practices.
- Number of licensed banks has remained unchanged for more than 15 years with 3 being subsidiaries of SA owned banks.



Preparatory steps

- Missions conducted by IMF and MEFMI indicated that CBS must first conduct a BCP self assessment
- In July 2015, BSD conducted the self assessment
- IMF expert came to SD in Sept 2015 to evaluate the self-assessment.
- Most BCPs NC-due to absence/ outdated laws. Hence, establishment of Policy and Enforcement Unit in April 2016 within FRD to play lead role in enacting and / amending the laws and regulations.
- Work on revising the FIA, and Central Bank Order has started.



Migration to Basel II

- September 2015, BSD submitted a concept paper to CBS's BoD proposing migration to Basel II.
- Initial suggestions were to adopt simplified standardized approach for Credit risk as there are no ECAs, BIA for operational risk and standardized approach for market risk.
- Study visits have been conducted in Mauritius, Namibia and S.A in trying to see how other have implemented Basel II.
- On-going training of staff.



Migration continued

- Introduced stress testing in 2013 and banks submit information which is then utilized by CBS as input in the Bank's stress testing model.
- However, the CBS intends to develop a bottom up stress testing approach with banks themselves conducting their own stress tests and then submitting the results to CBS
- As the Central Bank of Swaziland is still on Basel I the only disclosure requirements are for banks to publish audited financials, as well as bank charges to promote consumer protection.
- Banks do write a brief summary on risk management and minor changes in financials but this is not mandatory



Migration.....

- August 2016, IMF to assist in formulation of implementation roadmap.
- Setting up a Basel II core team within CBS as well as Steering Committee comprising of banks' reps and external auditors.
- Target 2018 for go live



THANK YOU!

