



Enhancing Risk Management and Governance in the Region's Banking System to Implement Basel II and to Meet Contemporary Risks and Challenges Arising from the Global Banking System

Training Program ~ 8 - 12 December 2008
SHANGHAI, CHINA

Session 2.3

Bangladesh

Risk Management & Basel II implementation in Bangladesh

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BANGLADESH BANK
(Central Bank of Bangladesh)

Risk Management Guidelines

- Credit Risk Management
- Foreign Exchange Risk Management
- Asset & Liability Management
- Internal Control & Compliance
- Prevention of Money Laundering
- Information & Communication Technology



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Supervisory Tools

- On-site & off-site Supervision
- CAMELS
- Early Warning System
- Problem Bank Monitoring



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Regulation on Credit Concentration

- Large Loan Exposure
- SME Financing
- Micro Credit



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Risk Based Capital Adequacy

- Risk Based Capital requirement in line with Basel I was introduced in 1996
- Risk Based Revised Regulatory Capital frame in line with Basel II work will be started from January 2008.



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Crisis & Current Regulatory Challenge

- Reserve Management
- Foreign Trade
- Remittance



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Thank You



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Cambodia



Banking and Financial Sector Development in Cambodia



The APEC Workshop on Enhancing Risk Management and
Governance in the Region's Banking System to Implement Basel II
and to Meet Contemporary Risks and Challenges Arising from the
Global Banking System
8-12 December 2008, Shanghai

Presented By Cambodian Participants

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Cambodia Macroeconomic Developments



In 2008, Cambodia's economy is under increasing strain, affected by global financial volatility and declining external demand, with macrocosmic and financial risk.

Real GDP growth is forecast to be around 6.5 percent in 2008, compared to 10.25 percent in 2007. Factors leading this slowdown include moderating growth in garment exports and tourism activities as well as agricultural output.

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Financial Sector Overview

As September 2008, the Banking Sector consists of 28 Banks of which 22 Commercial Banks (19 locally incorporated and 3 foreign branches) and 6 specialized banks, 2 representative office of foreign banks, 17 licensed microfinance institution (MFIs) and 26 registered NGOs operating in rural areas.

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Financial Sector Overview

The Insurance industry is very rudimentary in Cambodia and the insurance law was only promulgated in 2001. There are 5 licensed companies: Asia Insurance (Cambodia), Forte Insurance (Cambodia), Infinity Insurance (Cambodia) Caminco, and the re-insurer Cambodia Re. All licensed insurance companies are operated under the supervisor of the Financial Industry Dept, MEF.

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NBC

PRUDENTIAL REGULATIONS

Solvency Ratio 15 %

- Net Worth / Risk Weight Assets

Liquidity Ratio 50%

- Liquid Assets / Weighted Deposits

PARTICIPATION

- Banks may hold equity participation 15% and 60% of own fund of the bank for each and total equity participation respectively.

INTEREST RATE

- Banks are allowed to set their own interest rates for loans and deposits.



Current Issues of the Financial Sector Development in Cambodia

Financial Infrastructure :

- **Capital Market:** There is no capital market and its development, although important, is unlikely to occur within the next years.
- **Payment System:** is underdeveloped. This is expressed in a lack of infrastructure and limited financial instruments in the market in addition to both a weak regulatory framework and supervisory body.



Current Issues of the Financial Sector Development in Cambodia

Financial Infrastructure :

- **Interbank/Money Market:** Banks have started lending to each other; however, the number of transactions are limited and limited to a few banks.
- **Deposit Insurance:** NBC put in place laws and regulations and supervision functions to protect depositors.

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Current Issues of the Financial Sector Development in Cambodia

- **Accounting Standards:** an accounting law and common accounting standards were introduced in 2003. However, these are overly complicated and not yet in line with IFRS.
- **Rating & Credit Information:** There is no rating agencies presently in Cambodia. Major MFIs and some banks are rated using raters from abroad.

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Regulatory Challenges with current global financial crisis environment

- **Increase Reserve Requirement** : In July, 2008 National Bank of Cambodia (NBC), increased RR to 16% from 8%.
- **Capital requirement**: The recent move by NBC to increase the minimum capital requirement for all banks to US\$37 million from US\$13 million by 2010
- **Strengthening other prudential regulations** : All banks must strengthen the prudential regulation such as Internal Audit, Governance, Fit and Proper Rule and Liquidity Management.

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Thanks you for your attention

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