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DEMOCRATIC REPUBLIC OF THE CONGO

TECHNICAL ASSISTANCE REPORT—FINANCIAL SECTOR STABILITY REVIEW

September 2022

This technical assistance report on Democratic Republic of the Congo was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in May 2022.

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TECHNICAL REPORT

DEMOCRATIC REPUBLIC OF THE CONGO

FINANCIAL SECTOR STABILITY REVIEW

AUGUST 2022

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Monetary and Capital Markets Department

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GLOSSARY

AFRITAC Central/AFC	Regional Technical Assistance Center for Central Africa, IMF
AML-CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BCBS	Basel Committee on Banking Supervision
BCC	Banque Centrale du Congo [Central Bank of the Congo]
BCPs	Basel Core Principles for Effective Banking Supervision (Basel Committee, 2012)
BIS	Bank for International Settlements
CAR	Capital Adequacy Ratio
CBR	Correspondent Banking Relationships
DRC	Democratic Republic of the Congo
DSIF	Direction de la Surveillance des Intermédiaires Financiers, BCC [Financial Intermediaries Supervision Directorate, BCC]
DSP	Direction des Systèmes de Paiement, BCC [Payment Systems Directorate, BCC]
EMI	Electronic Money Institution
FAS	Financial Access Survey, STA, IMF
FSI	Financial Soundness Indicators
FSAP	Financial Sector Assessment Program
FSP	Financial Services Provider
FSSR	Financial Sector Stability Review
GDD	Gender-Disaggregated Data
IMF	International Monetary Fund
KA	Key Attributes of Effective Resolution Regimes for Financial Institutions
MCM	Monetary and Capital Markets Department, IMF
MFI	Microfinance Institution
NPL	Nonperforming Loan
STA	IMF Statistics Department
TA	Technical Assistance

PREFACE

In response to a request from the Central Bank of the Congo (BCC), the Monetary and Capital Markets Department (MCM) of the International Monetary Fund (IMF) conducted a Financial Sector Stability Review (FSSR) mission (in virtual mode) during January 5–28, 2022. The mission was led by David Blache (MCM) and supported by Ivan Guerra (MCM), and external experts Amel Ben Rahal, Olivier Frécaut, François Gomez, Jennifer Long and Anatol Monid. The FSSR performed a diagnostic of the financial system, reviewed implementation of the technical assistance (TA) recommendations issued between 2016 and 2021 and proposed a draft Technical Assistance Roadmap (TARM) to improve financial system stability by strengthening the BCC's capacity in the areas covered by this FSSR[1]. The Fund's Statistics Department (STA) conducted a financial soundness indicators (FSI) assessment in February 2022. The World Bank conducted a financial sector assessment program (FSAP) development module mission in February 2022.

The mission presented its main observations and recommendations at a closing meeting held on February 4. The meeting was chaired by Dieudonné Firiki Alimasi, First Vice-Governor of the BCC, and attended by BCC directors, as well as Fabio Natalucci (Deputy Director, MCM); Didier Casier (AFRITAC Central, AFC); Gabriel Leost (IMF Resident Representative); Guillaume Nolin and Mercedes Vera-Martin (Africa Department); and Kahoru Takei (MCM).

The mission wishes to express its thanks to the BCC staff. It is also especially grateful to the Director of the Financial Intermediaries Supervision Directorate (DSIF), Jean-Marcel Kalubi, and to Deputy Director Daniel Kavula, and their team, for the excellent assistance in facilitating the mission's work under very difficult conditions associated with the current pandemic.

[1] A scoping mission carried out in August 2021 had agreed with the BCC Governor that the FSSR would cover the following areas: (i) financial sector regulation and supervision; (ii) crisis management and the financial safety net; (iii) bank stress tests; (iv) the financial stability mandate and macroprudential policies; (v) the financial stability implications of financial sector deepening and financial inclusion; and (vi) the emerging topic of gender mainstreaming in financial supervision.

SUMMARY

The mission identified five macrofinancial vulnerabilities: (i) weakness of the banking system's capital; (ii) difficulty in evaluating nonperforming loans (NPLs) following the COVID-19 measures; (iii) risks related to financial dollarization; (iv) the breakdown of correspondent banking relationships (CBRs) because of "de-risking"; and (v) the fact that bank subsidiaries in the DRC are holding their surplus funds with their parent companies abroad. In relation to bank stress-testing, insufficient data made it impossible to draw conclusions, in particular owing to a lack of transparency in credit restructurings carried out by the banks based on the 2020 regulatory easing measures. The BCC's adoption of exit measures in December 2021, also with specific reporting requirements, should provide momentum for additional TA in the very near term to help the BCC anticipate the impact of NPLs that are probably underestimated at the present time. Additional TA on stress-testing could only be effective provided that certain prior actions are taken by the BCC: (i) to identify a stress-testing committee or unit to receive training through TA; (ii) to prepare data tables and queries for stress tests after the COVID-19 measures have been lifted.

In the financial regulation and supervision area, the DSIF now has the basic tools needed for risk-based supervision in line with the recommendations of the 2014 FSAP. The rating system should now be fully integrated into the bank supervision process to confirm the operational rollout of risk-based supervision. Early warning indicators and early intervention processes should be upgraded. NPLs should be evaluated rapidly once the regulatory easing measures introduced in 2020 have been lifted following the entry into force of the regulation to unwind COVID-19 measures (adopted in December 2021). Onsite audits should be conducted as soon as health conditions permit. Banking regulations will have to be revised to fully align with the new banking law once adopted, and an instruction consolidating the rules applicable to transactions with related parties could be drafted. Actions on operational risk, information technology (IT) risk and cyber risk should be continued. In a longer term, BCC should implement Basel III in respect of liquidity risk. Payment institutions need appropriate prudential regulations.

In relation to crisis management and financial safety net, the FSSR has identified several areas that need attention: (i) a sequential and proportionate implementation of the new framework for banking crisis prevention and resolution; (ii) the management of BCC's conflicts of interest through functional separation; (iii) recovery planning should integrate a scenario of loss of CBRs; (iv) cross-border cooperation agreements should be updated to integrate recovery and resolution planning ; (v) resolution tools need a resolution funding mechanism; (vi) the modernization of emergency liquidity assistance (ELA) by the central bank; and (vii) the establishment of a credible and viable deposit insurance system is subject to preconditions.

In the financial stability and macroprudential policy area, legislative shortcomings will be addressed by the draft banking law. The BCC's financial stability function and macroprudential policies remain to be constructed. The availability and quality of data will be essential, including the reporting of financial soundness indicators (FSIs) for the first time, the overhaul of the credit register (*centrale des risques*), and the design of dashboards. A new autonomous Financial Stability Department should be positioned in line with international best practices and be provided with

information systems, budget, and human resource profiles for the analytical activities required by the financial stability function.

Regarding other potential risks to financial stability, the mission did not identify financial stability risks in the sectors of microfinance and e-money at this stage but called for continued strengthening of their supervision. In addition to actions recommended on the private sector as part of recovery planning, the BCC should prepare a contingency plan in the event that banks' relations with their foreign correspondents decline with systemic impact.

In the area of gender-disaggregated data (GDD) collection and their use for financial supervision, the FSSR made recommendations requiring only limited use of BCC resources. The recommendations in question would include: (i) defining the BCC's internal gender policies; (ii) analyzing information that the BCC already holds on the composition of boards and management bodies and incorporating this into the supervision process; (iii) mainstreaming gender in the supervision of consumer protection; and (iv) completing the internal review of GDD collection and resuming reporting to the Financial Access Survey (FAS).

The two most urgent issues to be addressed are data collection and quality and building additional resources (information technology, human resources, capacity of staff, and budget). These two priorities will then enable the BCC to implement the main recommendations of this report in the different areas. Data collection and quality is discussed in all the areas covered by this report (banking supervision, crisis management, financial stability, stress testing, GDD). The BCC has responded relatively well to previous TA recommendations, but absorption capacity has been constrained by limited human resources. Although implementation has been disrupted by the pandemic since 2019, major projects such as the implementation of risk-based supervision have continued to move forward. The Financial Intermediaries Supervision Directorate (DSIF), which is the primary beneficiary of the TA reviewed in this document, has received very wide-ranging TA but lacks the resources to fully implement recommendations and add new ones. To address reform needs identified in the FSSR, additional resources will be needed (information technology, human resources, capacity of staff, and budget) to strengthen banking supervision and establish a financial stability function, macroprudential policies, and a bank resolution function.

Table 1. Democratic Republic of Congo: Main Recommendations

Democratic Republic of the Congo: Key FSSR Recommendations	Priority[1]	Time Horizon[2]
Financial sector supervision and regulation		
Relaunch a competitive recruitment of banking experts, as in 2014 and 2017, to support the banking and financial reform agenda (¶25).	H	ST
Check the reliability of the reporting of NPLs following the lifting of the regulatory easing measures adopted in response to the pandemic and check the impact of expected credit losses on capital (¶28–29).	H	IM
Confirm the operational rollout of risk-based supervision (¶26-27): • Strengthen the qualitative reporting required of the banks; • Integrate rating into the supervision and prudential evaluation process; • Upgrade early warning indicators and early intervention; and • Update guidance manuals for onsite supervision.	H	ST
Revise qualitative prudential regulations by incorporating the changes arising from the adoption of the new banking law (¶30).	H	ST
Draft a specific instruction on transactions with related parties (¶31).	M	MT
Implement Basel III in respect of liquidity risk (¶35).	M	LT
Ensure that banks have good control over operational risk, IT risk and cyber risk (¶38).	M	MT
Define prudential rules for payment institutions (¶39).	H	ST
Crisis management and financial safety net		
Adopt the regulation (*Instruction*) specifying the elements to be included in the banks' preventive recovery plans (¶42).	H	ST
Require banks to start preparing their preventive recovery plans as soon as the new banking law is adopted (¶42).	H	ST
Require banks to include in their recovery scenarios the loss of one or more correspondent banking relations (¶40).	H	ST
Review and strengthen cross-border agreements with all home countries of the parent companies of banks established in the DRC to integrate recovery and resolution planning (¶47).	H	ST
Operationalizing the new resolution framework, prioritizing transfer and liquidation tools (¶41–42).	H	MT
Align the framework for providing emergency liquidity and the resolution funding mechanism with international best practices (¶49–50).	H	MT
Address conflicts of interest between BCC functions, e.g., by structurally separating the decision-making procedures in respect of bank resolution, bank supervision, and emergency liquidity (¶43).	H	MT
Bank stress tests		
Identify a stress-testing committee or unit to receive training through TA (¶52).	H	IM
Prepare data tables and queries for stress tests after the COVID-19 measures have been lifted (¶55).	H	IM
Financial stability and macroprudential policy mandate		
Launch the work of the Financial Stability Committee (FSC) (¶61).	H	IM
Create an autonomous structure at the BCC dedicated to financial stability (¶61–62).	H	ST

Democratic Republic of the Congo: Key FSSR Recommendations	Priority[1]	Time Horizon[2]
Develop adequate granular reporting and launch the reform of the credit register (¶59).	H	MT
Provide information systems, budget, and human resource profiles for the analytical activities required by the financial stability function (¶57, 60).	H	ST
Financial stability implications of financial sector deepening and financial inclusion		
Further strengthen the supervision of nonbank financial institutions (microfinance, payment institutions) (¶69).	M	LT
Prepare a contingency plan for the BCC in the event that banks' relations with their foreign correspondents decline with systemic impact (¶70).	H	MT
Emerging topic: Mainstreaming gender in financial sector supervision		
Analyze the information that the BCC already holds on the composition of boards and incorporate it into existing supervision processes (¶78).	M	ST
Mainstream gender in the BCC's planned implementation of consumer protection supervision (¶79).	M	MT
Use TA to support the review and implementation of changes to the gender-disaggregated data (GDD) collected (¶80).	M	LT

[1] Priority: High (H); Medium High (MH); Medium (M).

[2] Time horizon: Immediate (IM) < 6 months; Short term (ST) < 12 months; Medium term (MT) 12–24 months; Long term (LT) 24–48 months.

I. Introduction

A. Scope of Work

1. **An FSSR was conducted during January 5–28, 2022.** The FSSR aims to provide a diagnostic assessment to serve as a basis for developing and implementing reform programs, to improve financial system stability by strengthening the capacities of financial sector supervisors. The IMF Statistics Department (STA) assessed the FSI in February 2022 and the World Bank conducted an FSAP development module mission in February 2022.

2. **A scoping mission conducted in August 2021 had agreed with the BCC Governor that the FSSR would cover the following areas:** (i) financial sector regulation and supervision; (ii) crisis management and the financial safety net; (iii) bank stress tests; (iv) the financial stability mandate and macroprudential policies; (v) the financial stability implications of financial sector deepening and financial inclusion; and (vi) the emerging topic of gender mainstreaming in financial supervision.

3. **Each diagnostic assessment was guided by international best principles and practices as developed by the relevant standards-setting bodies**.[1] The FSSR also used the 2014 FSAP but was not mandated to update its recommendations. A draft of a new banking law was transmitted to the mission by the Ministry of Finance on January 18, 2022. The FSSR was informed by the following official BCC documents:

- Annual report on financial institutions supervision (2018);
- Annual report on microfinance (2019);
- Annual financial stability report (2018); and
- Regulatory instructions posted on the BCC website since its renovation in December 2021, in the absence of an updated regulatory compendium.

4. Section I of this report presents the diagnostic assessment of the financial system (subsection I.B), its main macrofinancial vulnerabilities (I.C), and the implementation status of previous TA recommendations in the areas covered by this FSSR (I.D). Section II provides key observations and recommendations for each of the six areas covered by the FSSR. Section III and Annex 1 present a draft TARM that would make it possible to address

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[1] The evaluation of banking supervision was guided by the "Basel Core Principles for Effective Banking Supervision" (BCBS, 2012); the authorities' stress testing capacity was assessed using the IMF's standard analytical framework and tools; the crisis management and financial safety net was evaluated in terms of the "Key Attributes of Effective Resolution Regimes for Financial Institutions" (FSB, 2011) and the "Core Principles of Effective Deposit Insurance Systems" (IADI, 2014); and the assessment of financial stability surveillance was informed by the IMF staff guidance note on macroprudential policy in low-income countries (IMF, 2014).

the priority needs identified for strengthening the BCC's capacity and for responding to the recommendations made.

B. Financial System Structure and Financial Stability Context

5. **The financial system in the DRC is relatively small, largely dominated by banks, and highly concentrated**. Total financial assets represent 24.7 percent of GDP (2021), and bank assets make up 97 percent of the financial system. There are three types of banks: local (4), pan-African (9), and international (2). Two banks hold 55 percent of the banking system's assets. About 90 percent of loans are located in two of the 26 provinces, Kinshasa and Haut-Katanga.

Table 2. Democratic Republic of Congo: Structure of the Financial System

Institution type		US$ m	Number
Total Commercial Banks		**13,897**	**15**
Domestic banks		6,043	4
Foreign banks		7,854	11
	where:		
	Subsidiaries	7,854	11
	Branches	0	0
State owned banks		0	0
Total Banking System		**13,897**	**15**
Non-Bank Financial System		**425**	**194**
Non-Bank Deposit Institutions		**325**	**93**
	where:		
	Cooperatives	116	71
	Microfinance institutions	209	21
	Savings (CADECO, state-owned) (1)		1
Non-Deposit Financial Institutions		**100**	**101**
Insurance Companies		100	10
Social Security / Pension funds			2
Financial companies			5
	where: electronic money issuers		4
Specialized financial institutions			3
Money remitters ("messageries financières")			81
Total Financial System		**14,323**	**209**
Memo:			
GDP		56,301	
Percent of GDP		25.4	
	Banking System	24.7	
	Non- Bank Financial System	0.8	

Source: BCC

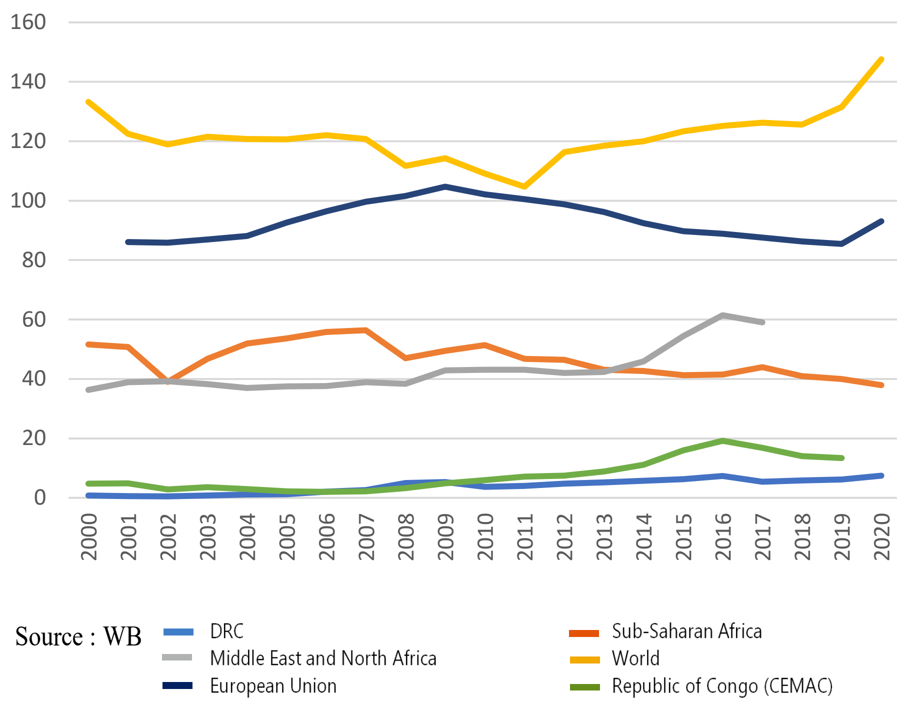
(1) neither licensed nor supervised by BCC
(2) estimated

6. **The banking sector provides very little financing to the economy.** The DRC is among 10 countries in the world with the lowest credit/GDP ratio, i.e., about 7.5 percent at end-2020, compared to a world average of 147.6 percent. The banking sector's contribution to financing the economy remains very modest, with scant portfolio diversification and a predominance of foreign currency loans. The latter have accounted for an average of

89.2 percent of the portfolio of lending to the economy over the past five years. This situation is attributable mainly to the unfavorable business climate prevailing in the country. Most loans are channeled to the "Other"[2] and "Mining" sectors of the economy (25 percent and 24 percent of total credit, respectively). Since lending activity is very weak, banks have substantial surplus funds, which they place with their foreign correspondents, their parent companies, or their local competitors (the interbank market is nascent and has few active participants).

Figure 1. Democratic Republic of Congo: Credit to the Private Sector

(% of GDP)



Source : WB

7. **Surplus funds held by the banks are mostly due to foreign currency deposits which have doubled since the start of the pandemic as a result of stricter surrender requirements.** As a result of the amendment made to the Mining Code, in which the surrender requirements were raised from 40 percent to 60 percent, total deposits have grown from US$5.63 billion in March 2020 to US$10.33 billion in September 2021, held mostly in current accounts (62 percent of deposits). Most customers prefer to save in foreign currencies, which maintains the extremely high degree of dollarization of the banking system and its excess liquidity. In September 2021, foreign currency deposits accounted for about 85 percent of the total.

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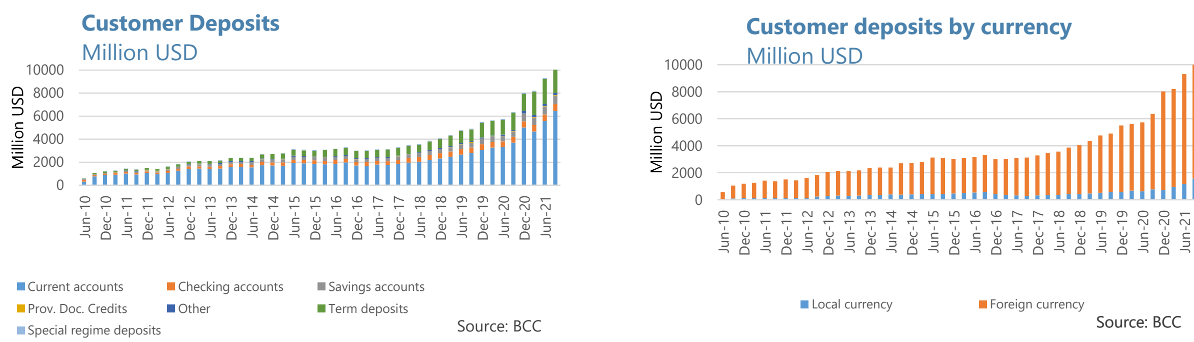
[2] The "Other" sector is used by the BCC to refer primarily to households.

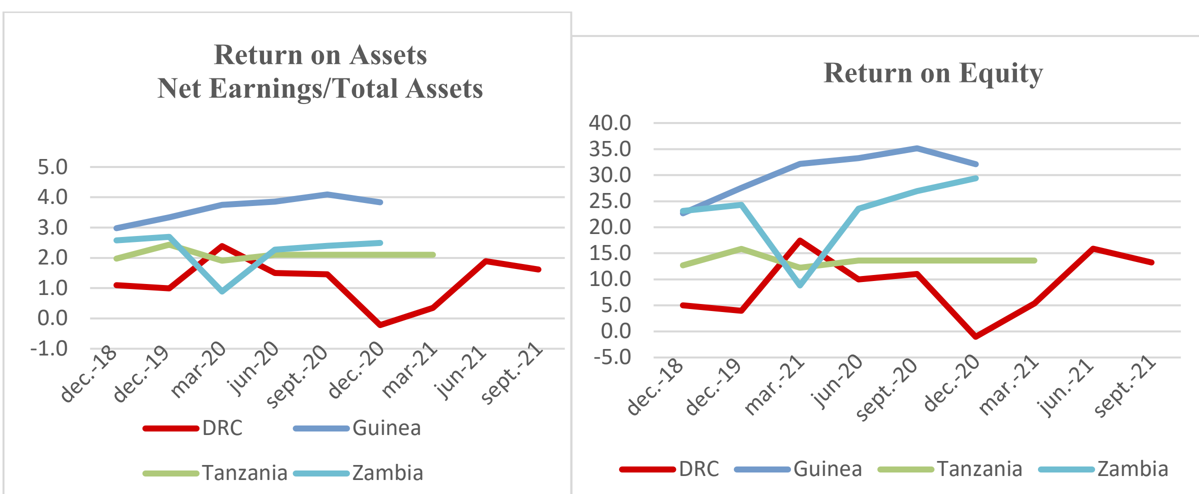
Figure 2. Democratic Republic of Congo: Bank Funding and Dollarization

Deposits doubled during the pandemic | *Foreign currency deposits: 85% at end-September 2021*



8. **The level and trend of profitability indicators reveal the fragility of the DRC bank's business model.** A comparative analysis with some of DRC's peers in the region (countries heavily reliant on exports by the mining sector) highlights the fact that banking activity in the DRC is one of the least profitable in the region, despite very high interest margins of over 10 percent (Figure 3). A difficult business environment with an uncertain application of the rule of law combines with the lack of diversification of the economy, limiting potential demand for financial services, in particular for credit. Interest margins do not contribute significantly to profitability since the banks are not sufficiently active as lenders. Operating costs are high, as are taxes, parafiscal charges, and bank supervision fees (annual supervisory fees amount to 0.6 percent of total deposits). Aggregate net earnings were negative in 2020, but this was due to a provisioning requirement for a systemically important bank. Profitability should improve significantly in 2021, given the rise in commodity prices.

Figure 3. Democratic Republic of Congo: Returns on Assets and Equity

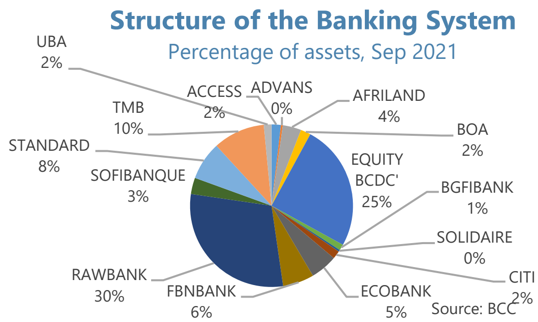


Source: IMF and BCC.

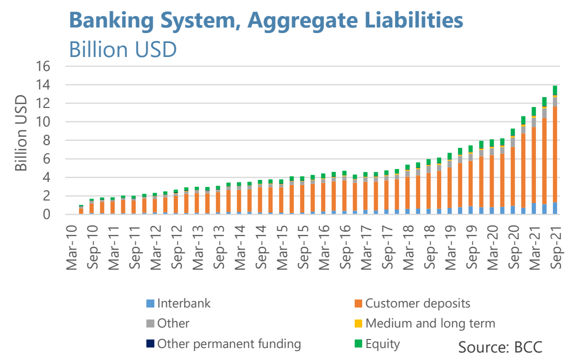
9. **Large and growing interbank placements abroad return less than interests on loans (Figure 4d).** These placements are becoming increasingly difficult owing to the phenomenon of "de-risking" (see subsection C.).

Figure 4. Democratic Republic of Congo: Assets, Liabilities and Profitability of the Banking System

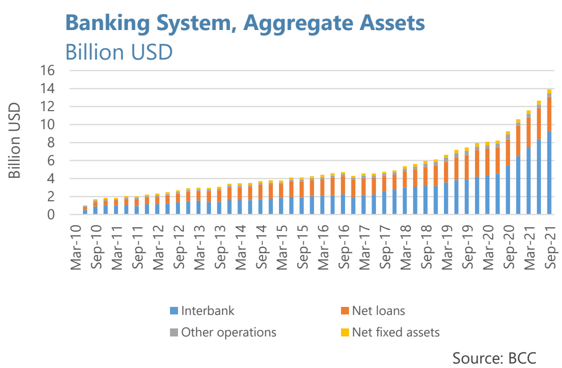
Two banks hold 55% of the system's assets …



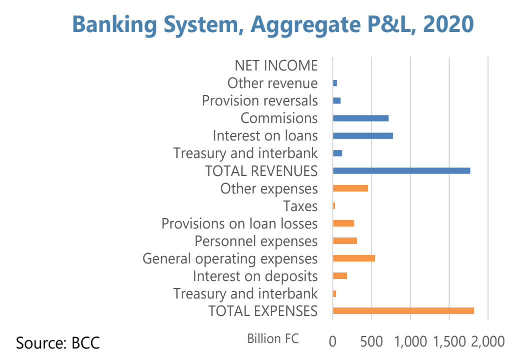
Banks find themselves with large deposits that have doubled since the start of the pandemic



which they place with their correspondents abroad, rather than using them to fund lending



Banks face high operating costs and are trying to increase their fee income



C. Macrofinancial Vulnerabilities

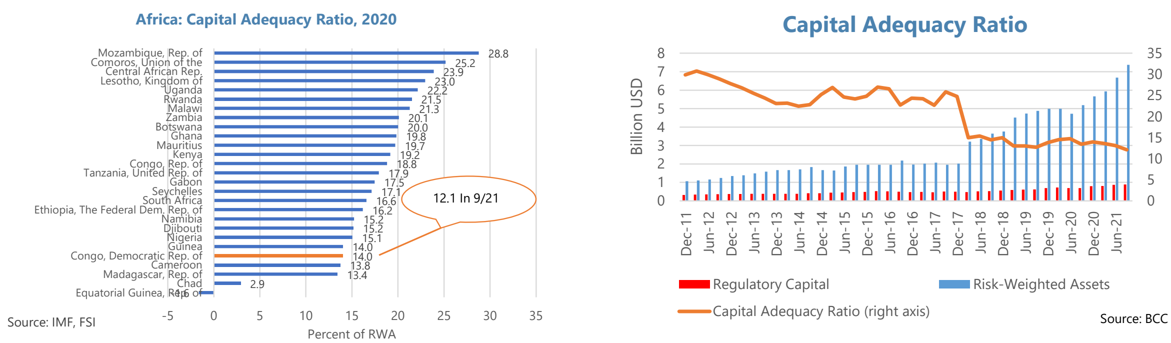
10. **The mission identified five key macrofinancial vulnerabilities**: (i) the weakness of the banking system's capital base; (ii) the difficulty in appraising the NPLs following the COVID-19 measures; (iii) risks related to financial dollarization; (iv) the breakdown of CBRs owing to de-risking; and (v) the tendency of subsidiaries in the DRC to centralize their liquid assets with their parent companies abroad. The financial system also suffers from weaknesses such as insufficient data quality and poor governance and risk management within the banking sector. The sovereign bank nexus is not an issue, only 4 percent of total bank loans are loans to the central government.

11. **Aggregate capital levels are too low and have not grown in line with activity over the past decade.** In 2020, the aggregate capital adequacy ratio was 14 percent, well below that of its African peers (Figure 5). The ratio had fallen by a further 200 basis points as of

end-September 2021, to 12.1 percent. While the solvency ratio remained above 20 percent until mid-2017, it has fallen dramatically due to the growth of risk-weighted assets, while regulatory capital has remained essentially unchanged.

Figure 5. Democratic Republic of Congo: Capital (Capital adequacy ratio)

Capital adequacy is weak compared to peers *The solvency ratio has plummeted since mid-2017*



12. **Three banks are currently undercapitalized, with respect to a basic solvency requirement of 10 percent.** One is in the process of being transformed into a microfinance institution, and corrective actions are under way at the other two. Four more banks are undercapitalized with a total solvency requirement of 12.5 percent (basic solvency ratio + capital conservation buffer, set at 2.5 percent as of end-2021). Eight out of 15 banks have satisfied the current minimum capital requirement of US$30 million.

13. **The loan portfolio shows a high level of NPLs at 8.5 percent of total loans**. System provisioning is moderate at 69.2 percent of NPLs. The mission applied a solvency stress to current capital levels. The system's under-provisioning was estimated on a bank-by-bank basis using the provisioning rates in BCC Instruction 16.

Table 3. Democratic Republic of Congo: BCC Instruction 16 Provisioning Rates

(Percentage by claims classification)

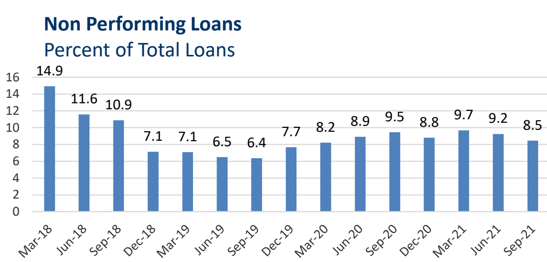
Sound	1
On watch	3
Pre-doubtful	20
Doubtful	50
Compromised	100

14. **The results of this evaluation, which does not consider the impact of the classification of restructured or rescheduled claims and the inclusion of collateral, include the following:**

- Systemwide capital adequacy falls to 11 percent;
- Two more banks become undercapitalized under a CAR of 10 percent (making a total of five undercapitalized banks);
- Two additional banks become undercapitalized under a CAR of 12.5 percent (making a total of seven undercapitalized banks); and
- Recapitalization needs at end-2021:
  - US$25.5 million at a 10 percent requirement; and
  - US$149 million at a 12.5 percent requirement.

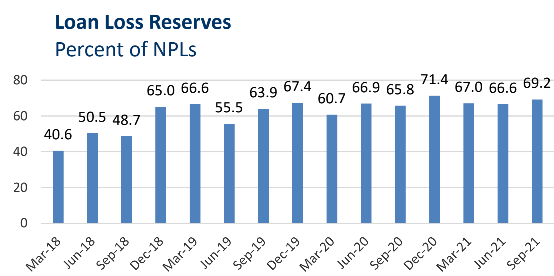
Figure 6. Democratic Republic of Congo: Loans and Nonperforming Loans

Non-performing loans are high at 8.5% of total loans



Source: BCC

Provisioning is moderate at 69.2% of the nominal value of NPLs



Source: BCC

15. **In March 2020, the BCC adopted COVID-19 regulatory easing measures.** These measures included the following (Instruction 44):

- freezing of loan-classification rules during the crisis period and the possibility of unlimited credit restructuring.
- suspension of late payment penalties on overdue claims during the crisis period.
- incentives for customers to apply for restructuring of delinquent loans based on their evolving ability to repay.
- granting of grace periods on loan repayments.

16. **These COVID-19 regulatory easing measures have very likely caused the NPLs to be underestimated.** Accordingly, the under-provisioning discussed above should be modified when data on restructured loans (not available in January 2022) become available. In addition, the lack of data on collateral clouds the results still further. This would have implications for all other stress tests. The BCC's adoption of exit measures in December 2021 (amended Instruction 44), also with specific reporting requirements, should provide momentum for additional TA in the very near term to help the BCC anticipate the impact of NPLs that are probably underestimated at the present time.

17. **The relation between the sources of risk identified in the DRC and the expected impacts based on the vulnerabilities has been mapped in a risk assessment matrix (RAM).**[3] The identified vulnerabilities may serve to design stress test scenarios in the future (see section II.C on bank stress tests).

Table 4. Democratic Republic of Congo: Risk Assessment Matrix (RAM)

Shocks	Risk sources	Probability of shock (↓)	Expected impact on vulnerabilites	Transmission channel
External	Drop in commodity prices	High	High	NPLs of affected sectors on CAR
	"De-risking"	High	High	Liquidity gaps
	"Ringfencing" at parent companies	Medium	High	Interconnection, Liquidity gaps
Domestic	Depreciation	Medium	Medium	Direct: Net open position Indirect: NPLs in FX on CAR
	Concentration	Medium	Low	Failure of large exposure on CAR
	Interconnection	Low	Low	Loss of interbank exposure on CAR
	Catastrophe	Low	High	Operational on P&L, eventually on CAR

[3] The risk assessment matrix (RAM) displays events that could significantly alter banking stability. The relative likelihood is the IMF staff's subjective assessment of the risks around the baseline ("low" means a likelihood of less than 10 percent; "medium" between 10 percent and 30 percent: and "high" 30 and 50 percent). The RAM reflects the views of IMF staff on the source of the risks and the overall level of concern at the time of discussions with the authorities. Risks that are not mutually exclusive may interact and materialize jointly. The cyclical shocks and scenario highlight risks that could materialize over a shorter time horizon (between 12 and 18 months), given the current baseline situation. Vulnerabilities are those that are likely to remain salient over the longer term.

18. **A sectoral stress test was performed by the mission and shared with the DSIF for illustrative purposes**. This test (possibly linked to a progression of the pandemic) considered:

- Performing loans becoming NPLs:
  - Risk sectors: 25 percent; and
  - Other sectors:10 percent.

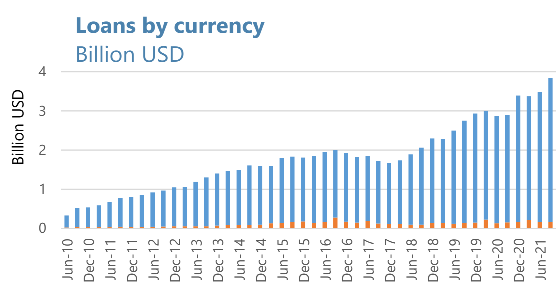
The results were inconclusive owing to the caveats on the level of NPLs mentioned above.

19. **The very high rate of dollarization in the economy increases systemic risks.** It negates the central bank's role as lender of last resort and, in the absence of alternative mechanisms, heightens systemic risk. This situation calls for the rapid implementation of a resolution mechanism and of bank supervision and macroprudential oversight systems that anticipate crises and allow for early action. If the BCC cannot act as lender of last resort in the event of a systemic crisis, it is important for it to be able to prevent crises, to develop its early warning indicators and instruments that would enable it to intervene sooner. There is currently a local payment system in national currency but not in foreign currency (there used to be one for local clearing in US dollars, but it was suspended by the BCC in 2020). As a result, all large transactions in dollars are made through correspondent banks abroad and not through a local system.

20. **Most of the banks' investments are in US dollars; both loans to customers and investments of structural surplus funds with correspondent banks and parent companies.** These correspondent bank relationships fall into two categories, with very different risk profiles: (i) ordinary correspondent banks, in principle large banks in advanced countries (and willing to trade with DRC banks); and (ii) parent companies that centralize the group's cash flow, including that of their DRC subsidiary, which entails the risk that parent companies may default while holding a large part of Congolese domestic savings. The available data do not distinguish between these two types of foreign investments.

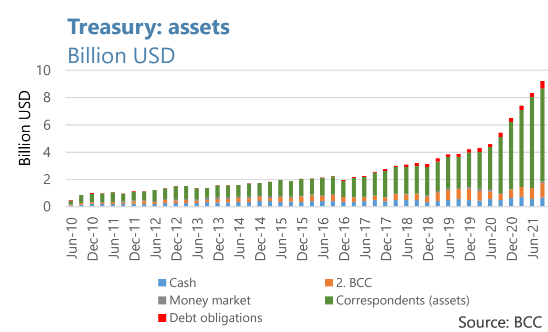
Figure 7. Democratic Republic of Congo: Placements

Most loans are granted in foreign currency



Source: BCC

Excess funds are placed with correspondent banks and parent companies



Source: BCC

D. Review and Assessment of Technical Assistance

21. **The review of TA provided to the BCC between 2016 and 2021 reaches a positive conclusion (see Annex 2).** TA has enabled the 2019 regulatory reforms to be implemented with multi-year support from AFRITAC Central (three or four annual bank supervision missions, including training), and to lay the foundations for risk-based bank supervision, an aim set by the FSAP in 2014. Without this TA, these reforms would not have been rolled out as rapidly as they have. Similarly, the adoption of amended Instruction 44 in December 2021 was informed by the recommendations made by the April 2021 AFC mission and the recommendations of the MCM COVID-19 notes.

22. **A contextualized analysis of the figures justifies this positive assessment (Table 5).** Of the 136 recommendations issued following TA during 2016–2021 in the scope of this FSSR, 27 were not implemented but 18 were related to the banking sector's transition to the International Financial Reporting Standards (IFRS), a project that has now been suspended. Excluding the IFRS project, the overall recommendations implementation rate is above 50 percent over the 2018–2019 pre-COVID-19 period.

Table 5. Democratic Republic of Congo: Review of Technical Assistance 2016-2021

Fiscal Year (FY)	Technical Assistance Mission	FA-Fully Achieved	PA-Partially Achieved	ONG-Ongoing	NA-Not Achieved	Total
2021	Adjusting Covid-19 banking supervision measures	6	1	10	2	19
2021	Off-site and on-site supervision of IT risk in the banking sector			3	4	7
2021	Review of prudential regulation n° 24 applicable to payment institutions			5		5
2020	Review of draft BCC regulation on financial disclosure (Pillar 3)	1		5		6
2020	Review of the bank rating model	3		5	1	9
2020	Methodological guidance for on-site control of risk management, ICAAP training, and roadmap for implementation	1		5	1	7
2019	Banking Regulation and Supervision [final review of quantitative regulations]	9		5		14
2019	Banking Regulation and Supervision [bank licensing]	5		1		6
2019	Banking Regulation and Supervision	3		8	1	12
2018	Implementing banking supervision based on IFRS standards	1		2	18	21
2018	Review of prudential qualitative banking regulation, second mission	11				11
2018	Training of junior BCC supervisors to risk-based supervision, internal control and risk management	1	1	3		5
2018	Review of prudential qualitative regulations relating to internal control and risk management	14				14
2017	Banking Regulation and Supervision: Conference					0
2017	Banking Supervision and Regulations					0
2017	Banking Supervision and Regulations					0
2016	Banking Resolution					0
		55	2	52	27	136

23. **Going forward, it is essential to prioritize TA programs, given the large number of reforms planned and the growing number of new missions entrusted to the BCC in the banking and financial stability area.** Staff strengthening and the recruitment of specialized skills also need to be prioritized, together with information technology tools and related additional budget, so that TA can be absorbed as effectively as possible. This concern to prioritize actions in the context of limited resources has guided the TA proposals made in the TARM (see III).

II. Review and Key Recommendations

A. Financial Sector Supervision and Regulation

24. **The BCC has improved its supervision by strengthening its regulatory framework and human skills with continued support from AFC.** The regulatory framework has been strengthened considerably by the adoption in 2019 of five instructions on: internal control (Instruction 17), licensing (Instruction 18), performance of auditors (Instruction 19), governance (Instruction 21), and risk management (Instruction 22). An instruction on financial communication (implementation of Pillar 3) should be presented to the banking sector in early 2022.

25. **This regulatory and operational improvement was achieved in the context of a staffing freeze since 2017, even though the DSIF has received an increasing number of assignments.** The DSIF's workforce was strengthened in 2014, and again in 2017, by the arrival of a total of about 30 young employees, who benefited from several AFC training courses, including for IT specialists oriented toward new IT risks and cyber risks. There has been no competitive recruitment at the DSIF since 2017, however. Recruitment will need to be revived if the BCC wishes to fulfill the regulatory agenda set by the TARM. In addition, the lockdown periods implemented since 2020, which have greatly reduced activity owing to the lack of access to a fluid internet, and the absence of onsite audit practice for two years, will likely require a skills upgrade.

Implementation of risk-based supervision

26. **The BCC now has the basic tools available to implement genuine risk-based supervision in line with the 2014 FSAP recommendations.** The BCC has implemented a bank rating system (SYSNOB) inspired by international best practices. An operational system was tested on all banks in the summer of 2021. The DSIF must move toward full integration of SYSNOB in the permanent control process. Ratings should inform the BCC's actions in defining prudential supervision measures, with appropriate modalities and intensity, and be integrated into the Supervisory Review and Evaluation Process (SREP) in the context of the upcoming implementation of Pillar 2. In addition to the new framework for bank resolution (see ¶42), a key priority is to build the operational capacities of the BCC with regard to early intervention in institutions that are showing the first signs of weakness and to adopt corrective actions. The SYSNOB tool should be adapted to the risks on a regular basis.

In the next update, the issue of creating a specific criterion for risk concentration (by beneficiary and sector) could be studied. In parallel, TA could be provided to support the updating of the guidance manuals for onsite supervisors.

27. **The DSIF needs to enhance its qualitative reporting on risk management.** The drafting of the template for the annual report on internal control and risk management, which the banks are required to send to the BCC, will provide supervisors with the information they need to answer questionnaires on the application of prudential regulations and standards, and good risk management and control practices. In addition, this framework, which reveals the regulator's expectations in terms of risk management systems, will enable banks to make progress within the framework of the internal capital adequacy assessment process/internal liquidity adequacy assessment process (ICAAP/ILAAP), in formalizing their risk appetite and in assessing capital adequacy relative to their risk exposure. The DSIF has not yet incorporated stress-testing as a tool of risk-based supervision.

NPLs and the lifting of COVID-19 measures

28. **Assessment of the quality of the credit portfolio is hampered by weaknesses in the identification of NPLs, which have become more pronounced since the regulatory easing measures of 2020.** Loans in the DRC are classified at five levels, according to refunding capacities and days in default (see Table 3). For example, sound receivables, after deducting collateral, must be provisioned at a flat rate of 1 percent. An AFC TA mission is scheduled for Q1 2022 to bring the reference Instruction 16 in line with IFRS 9. Under Instruction 44 of March 2020, banks have been allowed to restructure loans without restructuring affecting their classification. The amendment of Instruction 44 in December 2021 limits the number of restructurings to two in the future. These first unwinding measures were adopted by the BCC following TA provided by AFC in 2021, which discussed specifically MCM's Special COVID-19 Note on Unwinding COVID-19 Policy Interventions for Banking Systems,[4] and recommended measures such as enhanced supervisory monitoring and additional interaction with the industry.

29. **As soon as public health conditions allow, onsite inspections should be performed.** The aim of these missions will be to check how the option to restructure loans has been used, how banks are showing due regard for the classification criteria and the impact of expected credit losses on capital. A TA should be urgently provided to the DSIF to assist it in the preparation and follow-up of these missions (constitution of loan-tapes, selection of loans for audit, analytical guide, formalism of repayments).

Consistency of the legislative and regulatory frameworks

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[4] https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-unwinding-covid-19-policy-interventions-for-banking-systems.ashx.

30. **Prudential regulations will have to be reviewed to align with the future banking law.** In particular, this new law will specify the obligations of credit institutions in terms of licensing and authorization of their activities, governance, internal control, and risk management systems. The instructions issued by the BCC on these subjects will have to be reviewed to make sure they comply with the new legislative framework, prioritizing the strengthening of licensing and governance requirements.

Regulation of transactions with related parties

31. **An instruction could consolidate all rules applicable to the banks' transactions with their related parties.** Transactions between banks and related parties are addressed in various regulatory texts, and this fragmentation makes it difficult to ensure that the criteria for sound management of this risk are well integrated by the banks. The risk inherent in transactions with related parties (shareholders and managers, as well as legal entities or individuals related to them) is not a theoretical risk in the DRC, as evidenced by several recent experiences. A consolidation would also make it possible to include all the criteria in point 20 of the Basel Core Principles for Effective Banking Supervision (BCPs).

Other prudential standards

32. **The quantitative prudential standards on solvency were redefined in 2019 to converge with the Basel standards.** For the solvency ratio, set at a minimum of 10 percent, banks are not allowed to use internal models. It should be noted that, when included in the denominator of the ratio, the market and operational risk requirements are multiplied only by 10 and not by 12.5. Three types of capital buffers are required: capital conservation, countercyclical, and for systemic institutions. As of end-2021, only the 2.5 percent capital conservation buffer had been activated. Activation of the other two was postponed because of the pandemic, even though the BCC decided that four institutions are systemically important and should have a buffer of between 1 percent and 2 percent. The minimum leverage ratio is set at 5 percent.

33. **The minimum capital required of banks will be increased from US$30 million to US$50 million.** Owing to the pandemic, the BCC postponed application of this measure to January 1, 2025 (originally January 1, 2022), with minimum increments (US$5 million on January 1, 2023, US$5 million on January 1, 2024, and US$10 million on January 1, 2025). As of end-September 2021, four banks had own funds of more than US$50 million, but seven had not yet attained US$30 million. When a regulator decides to raise the minimum capital requirement, four issues should be considered: (i) if the increase is substantial, small, profitable banks would have a staggered phase of three to five years; (ii) the same amount should apply to larger banks—which is the case in the DRC; (iii) the credibility of the exercise is stronger with a well-functioning bank resolution framework in place, in case some banks fail to meet the target; and (iv) the minimum capital requirement is not a substitute for effective supervision and solvency requirements. The undercapitalized banks should provide credible capital restoration plans.

34. **Risks arising from financial dollarization are taken into account by prudential regulations.** Banks can record certain elements of their capital in US dollars to neutralize the exchange rate effect. From 2022 onward, reserve requirements on foreign currency deposits will be constituted in dollars. In terms of credit risk, the banks are transferring the currency risk to their customers, particularly households, by encouraging them to take on debt in foreign currency for loans of more than 12 months while households' resources are mainly in Congolese francs (CDF) (shorter-term credits to households are to be provided in CDF). However, the Labor Code requires that monthly loan payments should not exceed 30 percent of income. Once the new macroprudential powers are fully in place, the BCC should assess whether additional measures, such as additional capital buffers, are needed. For the most commonly used currencies (e.g., US dollar), the foreign exchange position is limited to 10 percent of the banks' long or short foreign exchange positions relative to equity. The liquidity ratio must be calculated in three ways, including an exclusively foreign currency calculation. Foreign exchange risk is also monitored under each bank's qualitive risk management and monitored by the board of directors. The new US dollar-indexed bills issued by the treasury since 2021 are simply treated as a foreign currency exposure for credit risk, with a weighting according to the credit grades for sovereign borrowers. This means a prudential weighting of 100 percent for the DRC.

35. **The BCC wants to move to Basel III-type liquidity ratios.** The current ratio, calculated in domestic and foreign currency, in addition to an overall ratio, compares realizable assets and current liabilities over the ensuing 30 days. It is not a forward-looking ratio that could provide information on the bank's capacity to withstand a liquidity shock for one month. Given the absence of financial markets in the DRC, and in particular the absence of high-quality liquid assets (HQLA), implementation of this ratio will have to be prepared through impact studies, with a multi-year adaptation period.

IT risk and cyber risk

36. **Credit institutions, including electronic money institutions (EMIs), are required to report cyberattacks to the BCC.** To date, there have been no reports, although some banks have increased their digital services since the COVID-19 crisis. Frauds continue to be "classic" frauds on bank cards.

37. **The BCC has strengthened prudential requirements relating to the control of IT risk for credit institutions as a part of operational risk**. It has defined best practices for managing this risk and has reiterated the requirements for setting up a business continuity plan. A methodological guide covering the IT risk issues to be reviewed during an onsite audit was drafted in conjunction with AFC. The training event to present this guide to DSIF supervisors was postponed to February 2022, owing to pandemic-related constraints.

38. **An update of the guide and the publication of guidelines specifying the regulator's expectations for banks in terms of operational risk and IT risk management should be considered.** These actions could be carried out once the first onsite audits on this

topic have been organized using the new guide, and on the basis of the reports that have been written.

Nonbank sector—Payment institutions

39. **Payment institutions, the status of which should be specified in the new banking law, need appropriate prudential regulation.** A Law of July 09, 2018, relating to payment and securities settlement systems was drafted with WB support, but it does not cover categories of payment services providers and their prudential rules. The creation of a payment institution category, which would encompass the EMIs and current "financial messaging" companies (money remitters), is under discussion. Whatever the outcome (integration with credit institutions or creation of a specific payment institutions category), specific prudential regulations will need to be adopted. TA can be scheduled as soon as the banking law has been promulgated and the roadmap requested by AFC has been drafted. A training workshop could be organized.

B. Crisis Management and Financial Safety Net

40. **In this sphere, the mission identified several areas requiring attention:** a sequential and proportionate implementation of the new framework for the prevention and resolution of banking crises, the management of conflicts of interest at the BCC through separation of functions, CBRs, the role of foreign interests, resolution funding, ELA by the central bank, and deposit insurance.

Sequential and proportionate implementation of the new crisis prevention and resolution framework

41. **The current legislative framework in the DRC has proven insufficient to cope with banking crises, and the outcome of bank liquidations is often opaque.** The BCC website lists 15 banks that have been struck off or closed down, without specifying the relevant dates or circumstances. Generally speaking, bank liquidations in the DRC take many years to complete. Five are still in progress, the first of which was started in 1998. If a provisional administrator is appointed, the board of directors is removed from office, but shareholders retain their rights. In some cases, shareholder opposition has derailed the subsequent resolution process. Recent bank liquidations have not resulted in public disclosure of results and details of compensation. The draft banking law will improve on a number of points. The implementation of the new law will require new regulatory instructions and operating procedures. Making a banking crisis prevention and management regime effective is a lengthy process, requiring significant human resources and rare expertise.

42. **The mission recommends a gradual and realistic approach, taking available capacity into account.** As soon as the law is adopted, the banks should proceed with the preparation of preventive recovery plans following BCC instructions. Relying on annual

assessment exercises, the BCC will be able to develop its new banking resolution tools, prioritizing those that are adapted to the development level of the DRC's banking system. Following a gradual and realistic approach, the mission recommends that priority is given to the operationalization of transfer and liquidation powers.[5]

Managing conflicts of interest through separation of functions

43. **The creation of a resolution function in a central bank raises the issue of conflicts of interest.** The Key Attributes of Effective Resolution Regimes for Financial Institutions (KAs) emphasize the need for operational independence of the resolution authority and for governance arrangements that address conflicts of interest. When a single authority, such as the BCC, performs the functions of supervision, resolution, and ELA, these functions must be kept operationally separate, and safeguards need to be put in place to minimize conflicts of interest. The latter typically arise when the same central bank acts as the resolution authority, carrying out the transfer of part of a failing bank, and also as the supervisor of the purchasing bank and as creditor, having provided emergency liquidity to the failing bank.[6] Conflicts of interest are often resolved by a separation of functions, assigning each of these three functions to separate organizational units that report to the central bank's decision-making body (e.g. the board of directors) through separate lines of reporting.[7] The BCC does not currently have separate reporting lines for these three functions. The BCC should balance the costs of the creation of a new unit in terms of resources with the benefits in terms of governance. Building capacity first within an existing unit is often preferable in low-capacity environments.

Recovery planning should integrate the scenario of loss of CBRs

44. **The fragility of CBRs poses a systemic threat to the banking sector.** The problems that exist with the CBRs could cause their already narrow number to shrink further, disrupting international trade that plays a key role for the DRC both on the export and import sides. The United States Treasury noted in 2019 that the BCC has developed a charter to improve compliance with applicable international rules, which has been accepted by the country's banks; but this has not been sufficient to prevent the loss of two of its three CBRs, and currently Citigroup is its only one.[8] The Anti-Money Laundering Task Force in Central Africa (*Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale* (GABAC))

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[5] IMF Policy Paper, "Macroeconomic Developments and Prospects in Low-Income Developing Countries-2019," chapter "The Financial Safety Nets in LIDCs," paragraph 77.

[6] Moretti, Dobler, and Piris, "Managing Systemic Banking Crises: New Lessons and Lessons Relearned," Departmental Paper Series, February 11, 2020, p. 28.

[7] Moretti, Dobler, and Piris, p. 28.

[8] https://www.state.gov/reports/2019-investment-climate-statements/congo-democratic-republic-of-the/

published an evaluation report on the DRC in April 2021. The report draws attention to high risks, including significant threats that are not mitigated, including within the banking sector.

45. **The systemic importance of the CBRs justifies their inclusion in the scenarios of bank recovery plans.** If another negative assessment of the situation in the DRC led to CBR losses, the damages in terms of a systemic operational crisis could be profound. The FSSR does not have AML/CFT in its mandate, but the systemic nature of the loss of CBRs would justify including this scenario in the preventive recovery plans that the banks will be required to draft under the new banking law.

Updating cross-border cooperation agreements on recovery and resolution planning

46. **The banking sector is heavily dependent on foreign capital.** Twelve of the 15 banks are owned by foreign legal entities, 9 of which are banking groups supervised by their home-country prudential authorities, with varying degrees of cooperation with the BCC. Most subsidiaries in the DRC are integrated into their group's systems, including IT and accounting systems. Cash management is usually centralized, and parent companies bill their DRC subsidiaries for services rendered. In the event of a crisis, the main risk is contagion from the parent company. A second risk is that if a foreign bank subsidiary in the DRC runs into difficulties, the parent company could be reluctant to provide support.

47. **A review of cooperation agreements is needed.** The BCC should conduct an internal review of cross-border cooperation agreements, notably to consider liquidity stress scenarios in recovery plans and the articulation between recovery and resolution plans at the group level and at the level of the DRC subsidiary. TA could be provided on international standards and best practices.

Resolution funding mechanism

48. **Resolution tools need a resolution funding mechanism.** By the time a bank has failed or is close to failure, its capital and liquidity will have been seriously eroded. The use of budgetary funds to finance the resolution of a bank should be a last resort—only when financial stability is seriously threatened, and subject to strict conditions, in particular full recognition of losses and their absorption by the failing bank's shareholders.

49. **Only one of the three internationally recognized resolution funding mechanisms would be appropriate for the DRC.** The KAs propose three forms of resolution financing mechanisms (KA 6.3): (i) a deposit guarantee mechanism financed by the banking industry; (ii) a special resolution fund; and (iii) a financing mechanism in which the public costs of temporary financing provided by the government are recovered ex post from the financial industry. In the DRC situation, the first mechanism does not exist, the second is totally disproportionate, and the third seems the most proportionate to the context but probably requires legislative action. The mission notes that it is never a central bank's job to finance

resolution measures; the central bank's role is limited to the temporary provision of liquidity in specific and well-defined cases.

ELA and liquidity in resolution

50. **The current situation in the DRC is paradoxical in terms of ELA and liquidity in resolution.** On the one hand, there is currently a support mechanism for banks in difficulty that was not designed to fulfill the ELA role. Article 20 of the 2018 Central Bank Charter authorizes the BCC to extend "special credits" to banks facing insolvency on behalf of the State, with an explicit guarantee by the State to the BCC when the latter provides solvency support to a bank, but these credits do not have an ELA role. On the other hand, there is no formal framework based on international best practices for the BCC to grant ELA. An ELA framework should be prepared, with particular attention paid to guarantees in the central bank's favor, the availability of foreign currency liquidity in a highly dollarized system, and cooperation with the home-country authorities.

Deposit insurance

51. **The establishment of a credible and viable deposit insurance system is a strategic objective for the BCC but should be subject to preconditions**. The mission considers that the necessary preconditions for the success of a deposit insurance system, which are more complex due to dollarization, have not yet been met (notably, effective prudential regulation, supervision, and bank resolution; strong legal and judicial frameworks and accounting and disclosure systems). The suggestions for reform in all parts of this report will contribute indirectly to preparing for the establishment of a deposit insurance system. In the long term, progress in this direction could be assessed, taking into account the additional difficulty of extreme dollarization.

C. Bank Stress Tests

52. **The mission reviewed the stress-testing capacity at the BCC considering previous recommendations issued by MCM.** Among the main recommendations of the FSAP 2014, MCM recommended that: "A specialized unit, responsible for enhancing supervision data, its analysis, and performing stress tests (…) is urgently needed. (...) An effective reinforcement of the DSIF' monitoring capacity (with qualified experts) and periodic banks' stress test analyses would permit identify financial stability pressures, and, for instance, identify mismatches in bank's balance sheets in a timely manner." The mission emphasized the importance of stress-testing in the organization of the future financial stability function and the need for additional cross-cutting staff from offsite, onsite, statistics and research units at the BCC. The mission held meetings with the DSIF to give a presentation on how stress-testing is organized at the IMF, including stress test governance, and several meetings became TA training events. Prior to future work, a stress-testing committee or unit should be identified for TA training.

53. **The mission did not perform a comprehensive stress test but worked selectively on available data to inform the diagnostic on macrofinancial vulnerabilities (see I.B and C).** The unwinding of COVID-19 regulatory easing measures had just entered into force when the FSSR main mission took place and banks had not started to report to the BCC their restructured loans (see below).

54. **The stress-testing exercise identified vulnerabilities to be tested and additional data needs.** It also identified data gaps, including the following:

- Up-to-date data on restructured receivables according to the reporting templates included in the amended Instruction 44 of December 2021.
- Collateral.
- Liquidity by maturity.
- Liquidity by:
  - ordinary correspondent banks; or
  - parent companies.
- Interbank exposures (interconnection risk).

55. **The mission identified gaps in the data questionnaires that did not arrive from the banks in time.** In particular, the under-provisioning adjustment, critical to all stress tests, lacked the necessary data on current restructured loans. The stress test submissions lacked reliable data received prior to the start of the mission. New forms and procedures for collecting and extracting information ("queries"), related to the new vulnerabilities and risks identified in the exercise, were discussed with DSIF and should be implemented before stress-testing exercises begin.

D. Financial Stability Mandate and Macroprudential Policies

Basic diagnostics

56. **The BCC has already done work to identify financial stability risks.** The DSIF is now responsible within the BCC for micro- and macroprudential missions and, despite limited staffing, has been able to: (i) publish financial stability reports since 2015; (ii) prepare the work of the Internal Financial Stability Committee (IFSC) created in 2019; and (iii) prepare the compilation of FSIs, thanks to the Financial System Risk Monitoring Division within the DSIF. However, staffing levels are insufficient to set up a genuine financial stability function, and much work remains to be done to establish one.

57. **The BCC has a statutory mandate for financial stability and has made inroads into developing this function but lacks an explicit mandate for macroprudential policy as well as operational capacity in this area.** The draft banking law envisages giving the

BCC a macroprudential task and dedicated instruments. The financial stability function is not yet developed at the BCC, which also lacks an operational mechanism for macroprudential policies. The implementation of these policies, which rely on risk monitoring and surveillance tools, requires an effort to collect high-quality granular data, develop information systems, and deploy suitable staff.

58. **The BCC has been working with STA since 2013 to align the compilation of the FSIs with international standards**. The BCC planned to start for the first-time regular transmission of FSIs for publication on the IMF website starting in May 2020. The date of the first transmission was postponed because of persistent difficulties in extracting primary data from the BCC database. This was due, partly, to the unavailability or delays in data transmission by banks, but also because of work to comply with the 2019 edition of the IMF's FSI Compilation Guide. The BCC has set a goal of finalizing the FSI system in 2022 after the work done to improve reporting has been validated by an STA mission scheduled for February 2022.

59. **Experiences in countries comparable to the DRC have shown how an effective credit register provides a good understanding of the banking sector and its practices and risks.** Increased information needs have increased the importance of credit data sharing infrastructure as a tool for both financial authorities and lenders. In the DRC, the credit register suffers from several shortcomings related to the reliability, completeness, and relevance of available data. The International Finance Corporation conducted a diagnostic mission in December 2021 to relaunch the project for a credit register that meets the standards.

Main recommendations

60. **The BCC should build capacity to implement macroprudential policy**. The availability and quality of the relevant data are essential. Staff with the right profiles and information systems capable of producing vulnerability tools and indicators are also required.

61. **The various steps required to establish a macroprudential supervisory framework that contributes to financial stability must be adhered to:**

1) Start of the work of the Financial Stability Committee created under the agreement signed between the Ministry of Finance and the BCC pursuant to the provisions of Law 2018/027. It is necessary to: (i) appoint the chair of the FSC Technical Secretariat; and (ii) publish the order of the Minister of Finance that lists the financial sector data to be provided to the FSC Technical Secretariat aimed at providing the widest access to information.

2) Establishment by the BCC of a genuine financial stability function to fulfill the task specified by law. In a first stage, creation of a dedicated financial stability unit which is called upon to articulate resource needs (data, human resources profile, software);

and, in a second stage, to create an enlarged structure that will receive contributions from the various departments. This new structure will be responsible for developing a strategy to establish the financial stability function and setting up the operational framework for macroprudential policy, which will be divided into five stages:

i. Selection of relevant indicators for the national context, preparation of dashboards to monitor the trend of macroeconomic and financial sector performance indicators, development of forecasting models, undertaking of stress testing-exercises;

ii. Risk identification and vulnerability assessment using the tools developed above;

iii. Selection and calibration of shock prevention and mitigation and crisis management instruments;

iv. Implementation of these macroprudential instruments; and

v. Evaluation and adjustment of the measures.

62. **The positioning of a new Financial Stability Department in the central bank's organizational structure should be considered.** In central banks, there are three main options: (i) in the macroeconomics and monetary policy branch; (ii) within the banking supervision function; and (iii) as an autonomous function reporting directly to the central bank's decision-making bodies. The process of creating a new financial stability structure should begin as soon as possible at the BCC to fulfill the financial stability mandate. A decision to create an autonomous department would be in line with international best practice (Banque de France, Bank El Maghreb, Central Bank of Tunisia, etc.). Indeed, this financial stability department is called upon to independently analyze the impact of the monetary, microprudential, budgetary, and economic policies on financial stability and their interactions. Also, the output of an autonomous department will likely get more traction with top policy makers.

E. Financial Stability Implications of Financial Sector Deepening and Financial Inclusion

63. **The financial stability aspects of three issues are discussed here insofar as they have not been fully covered elsewhere in this report: (i) microfinance; (ii) e-money services; and (iii) loss of CBRs.**

64. **The microfinance sector has been thoroughly restructured under BCC leadership over the past decade.** There are now 92 decentralized financial institutions (DFIs) compared to 149 in 2012. The BCC has improved the regulatory framework (prudential standards, strengthening of access conditions), intensified offsite and onsite inspections, rigorously monitored the implementation of recovery plans, and ordered the

closure and liquidation of unviable institutions. These liquidations did not cause any disruption to partner banks. The BCC has proposals for improving the legislative framework by consolidating the laws on DFIs.

65. **The COVID-19 crisis hit the sector hard**. The sector is also weakened by competition from banks that can offer more attractive interest rates; the rates offered by microfinance vary between 24 percent and 48 percent per year, while those of banks are between 18 percent and 15 percent.

66. **The increase in overall risk is primarily a result of heightened credit risk, as illustrated by the growth in the sector's portfolio at risk** (PAR 30, loans past due for more than 30 days), from 9.5 percent to 11.3 percent between 2019 and 2020. Microfinance has not benefited from the relaxation of provisioning rules granted to banks.

67. **Microfinance plays a significant role in financial inclusion (deployment in rural areas, where banks are absent; a tool for reducing poverty and a means of bringing economic operators into the formal sector) but it does not represent a risk to financial stability.** Microfinance institutions (MFIs) grant very short-term loans to retail commerce (75 percent of total credits issued by the sector) and to individuals (25 percent). The new interconnections between microfinance, e-money institutions, and credit and insurance services are often mentioned but they are not systematically monitored and essentially involve agent relations. The market share of MFIs has shrunk from 4.7 percent in 2017 to 2.7 percent in 2020. The mission concluded they do not pose a financial stability risk.

68. **E-money services continue to grow very rapidly, and the four licensed EMIs are now the second largest segment of the financial sector, ahead of microfinance.** All four EMIs are linked to pan-African or global telecom groups. The licensed EMIs are subsidiaries but benefit from their telecom group's experience in operational and cyber risks. They had 8.9 million active customers at end-2020, up from 1.7 million in 2015. EMIs must deposit customer funds in dedicated bank accounts, with a 25 percent cap on their deposits in the same bank. This is a recommendation put in place after comparing regional best practices, which the BCC plans to turn into a regulatory requirement once the new banking law is passed. The funds in the account are supposed to be unattachable but bankers report frequent problems with court rulings applied to unattachable accounts, and the banker that fails to enforce them risks criminal sanctions.

Main recommendations

69. **The BCC must continue to strengthen the supervision of nonbank financial institutions** (microfinance, payment and e-money institutions), which do not currently pose a systemic risk but could constitute emerging risks, unless adequately supervised.[9]

70. **The public sector should also prepare a contingency plan for the loss of CBRs of systemic dimension.** The fragility of CBRs has already been discussed as a systemic threat to the banking sector (see II.B). In addition to actions recommended on the private sector, the BCC should prepare a contingency plan in the event that banks' CBRs shrink by an amount that has systemic impact. MCM has already issued recommendations and could provide TA.[10]

F. Emerging Topic: Mainstreaming Gender in Financial Supervision

Basic diagnostics

71. **The FSSR has analyzed the availability of gender-disaggregated data (GDD) and its use in financial supervision, through application of the Gender-Aware Supervision Toolkit developed by the Toronto Centre.**[11] Gender-inclusive supervision is recognized as benefiting prudential risk management.[12] It requires the collection of appropriate GDD[13] and a framework that uses them. Data required for supervision may have cross-cutting use without being identical to those required for financial inclusion. Some data that are not typically collected for financial inclusion statistics may be useful for supervision, such as the gender composition of boards of directors, or the managers, of individual financial services providers (FSPs). Some supervisory authorities have started to mainstream a gender dimension into their supervision,[14] and BCC staff were aware of measures adopted by authorities in other African countries, such as Zambia.

72. **Until recently, the BCC reported some GDD to the IMF Financial Access Survey (FAS).** Up to 2018, it reported 4 of the 15 gender-disaggregated data sets in the FAS. The BCC stated that an audit of its GDD reporting is under way but did not specify the date for resuming reporting to the FAS. The BCC also indicated that it plans to expand the set of GDD collected from FSPs in the future, possibly including credit, savings, SMEs, and mobile

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[9] E-Money: Prudential Supervision, Oversight, and User Protection (imf.org).

[10] https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/21/recent-trends-in-correspondent-banking-relationships-further-considerations

[11] Presentation of the "Gender-aware Supervision Toolkit" in Annex 3.

[12] Toronto Centre, 2021.

[13] Defined as data that are distributed, so as to identify women and men separately.

[14] See Bank of Zambia, Canadian Securities Administrators, European Union, UK Financial Conduct Authority, V. Toronto Centre, 2021.

money. The BCC is cautious about the regulatory burden that these additional reports could generate; but the FSPs interviewed by the mission (banks, MFIs, EMIs) already produce a gender breakdown of customer data for their own purposes, which suggests that there is room for action here.

73. **The BCC has not yet used GDD in its supervision but already has data on the composition of FSP boards.** The BCC's information on board composition could be used to set expectations for moving toward gender balance, to be tracked directly in the supervision of FSPs. The size of the gender disparity on boards could also be used as an indicator in risk-based supervision. There are already a few examples of FSPs in DRC that set targets for female representation among senior management and staff. Support from the BCC could make this more widespread. The BCC has already received TA on how to ensure that its internal policies support gender equality and inclusion, which could serve as a basis for further work. The DRC has a constitutional requirement for gender equality that should provide a legal basis for this work.[15] Women are well represented in BCC's senior management.

74. **The BCC's planned expansion of consumer protection supervision also provides an opportunity to integrate a gender-aware supervision approach from the outset.** The BCC recently published regulations to strengthen consumer protection, including in key areas such as customer complaints.[16] Some commentators have noted that robust complaint procedures for FSPs are a key aspect of the "quality" dimension of financial inclusion,[17] and also an important part of a supervisor's mandate relative to consumer protection. The BCC has not yet started overseeing consumer protection requirements but plans to hold a training session in 2022 on this topic, and on the supervision of market conduct. Progress in this area could make a significant contribution to the financial inclusion strategy that the DRC is expected to finalize by end-2022, with objectives such as improved access and consumer protection.

75. **The BCC could also capitalize on existing GDD for customer accounts and on the efforts made by some FSPs to design gender-aware products to support inclusive product design and governance.** There are examples of banks and MFIs in DRC that use GDD to tailor their products and services to the needs of women customers. Other FSPs do not, despite having the data required to address the specific needs of women customers. One FSP remarked that, although international organizations have stressed the importance of taking gender into account, the BCC has not publicly highlighted this issue.

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[15] New Faces New Voices 2020.

[16] BCC 2019, Instruction 39.

[17] New Faces New Voices 2020.

Main recommendations

76. **The recommendations made in this section recognize that the BCC has many competing priorities but limited resources.** Accordingly, the recommendations focus, in the short term, on initial steps to integrate available GDD into the BCC's internal policies and existing supervision activities; and, in the medium to long term, to improve its consumer protection and set of GDD.

77. **The first recommendation is to use the previous TA on gender equality to define the BCC's internal gender equality policies, particularly for moving toward parity in staff policies and senior management.** This would provide a "quick win" in highlighting BCC leadership, and it would enhance the credibility of work in this area for the supervision of regulated FSPs.

78. **The second recommendation is to analyze the data on board composition that the BCC already possesses and integrate it into the existing supervision process.** This would only use data already collected and would entail minor adjustments to the supervision processes, helping to make them more risk based. TA would focus on how to analyze the data and use it in supervisory assessments (e.g., introducing this criterion into the rating system).

79. **The third recommendation is to use TA to mainstream gender into the implementation of consumer protection supervision.** TA in this area could combine work on developing a comprehensive supervision approach, capitalizing on the GDD already available, with areas such as complaints and product design/governance. Both of these areas are important to the BCC's consumer protection mandate and should contribute to financial inclusion.

80. **The final recommendation is to use TA to support the review and implementation of the GDD changes as compiled.** This would help the BCC complete its internal review of GDD and resume reporting to the FAS.

81. **The proposed TA would require a visible commitment to the concept of gender-aware supervision from the BCC leadership, but with limited use of resources.** TA is more likely to be effective if a commitment to gender equality and the value of gender-aware supervision is communicated by the governor to BCC directors, recognizing that what can be done in practice will have to take resource constraints and other priorities into account. The BCC should also appoint a relatively experienced contact person to work with the TA provider and advocate for the work within the BCC. The recommendations are based on one physical mission per year to provide TA on these new topics to the BCC contact point, and a small group of core staff, and to allow for follow-up on topics covered in previous years. It would be possible to provide a second mission each year if the BCC so requests and has allocated resources for the development of consumer protection supervision.

82. **TA for the recommendations could be provided by the Toronto Centre, possibly in partnership with STA.** The Toronto Centre has found that a collaborative approach with an internal coordinator can tailor deployment of the toolkit more closely to the needs of the authority. With respect to data collection, it would be useful to involve STA to ensure that FAS expertise and requirements are taken into account.

III. TECHNICAL ASSISTANCE ROADMAP (TARM)

83. **A key component of the FSSR is the road map agreed upon with the authorities, linking the diagnostics to the key policy reforms envisaged.** The TARM focuses on specific steps that the authorities have agreed to take within a defined time period (three years). With assistance from other TA providers where possible, the Fund will work with the authorities to implement the TARM and monitor the progress of reforms against the expected outcomes. The TARM should be viewed as a set of steps on the road to achieving the desired policy objectives. The precise timing of the TA will be specified in the terms of reference.

84. **Based on the findings and recommendations described in this report, in Annex 1 the mission proposes the draft TARM for each of the areas reviewed.** This will be submitted to the relevant IMF staff for approval as the definitive version of the TARM, in consultation with the BCC. The TA projects are identified in the draft TARM by numbers under each corresponding area (A.1 through F.6).

Annex 1. Technical Assistance Road Map

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
A. Financial sector supervision and regulation						
Banking Sector						
1	Incorrect identification of compromised/ doubtful loans and expected credit losses	Improve accounting and prudential provisioning regulatory guidelines	Assistance, in the form of training, for the DSIF to organize onsite missions in the main banks to ensure that they identify their impaired loans correctly (planning of missions, creation of loan tapes, analytical guide, repayment format, etc.). (Condition: once the reporting application used by DSIF has been upgraded).	BCC	H	IM
2	Insufficient knowledge of the risks carried by banks and poor allocation of DSIF resources	Implement a risk-based supervision (RBS) system and upgrade other supervisory processes	Finalization of qualitative reporting to assess risk management systems. Integration of bank ratings into the prudential control process. Implementation of early warning indicators Design of an action plan for the implementation of the Supervisory Review and Evaluation Process (SREP), ICAAP and ILAAP. Training on how to integrate rating and ICAAP/ILAAP in supervisory process Implementation of SREP, ICAAP and ILAAP.	BCC	H	ST to LT
3	Fragmented texts on related parties	Develop/strengthen banking regulations and prudential norms	Assist in drafting a single text on related parties that takes account of all issues specified in point 20 of the Basel Core Principles.	BCC	H	ST
4	Possibility that BCC's instructions will be noncompliant following promulgation of the new banking law	Develop/strengthen banking regulations and prudential norms	Review of existing regulations to ensure they comply with the new banking law once it has been promulgated. (Condition: after the law is promulgated).	BCC	H	MT

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
5	Insufficient monitoring of how banks manage their operational and IT risk	Develop/strengthen cybersecurity regulations and prudential norms	Evaluate the quality of the guides drafted for onsite assessment of the monitoring of IT risk, following the completion of onsite missions. Assistance in writing a white paper on operational and IT risks management. (Following completion of the first IT missions using the new supervisory guide).	BCC	MH	MT
6	Inadequacy of current liquidity monitoring ratios	Implement Basel II/ Basel III standards	Assistance in the implementation of the liquidity coverage ratio (LCR), including prior implementation of impact studies and a transition period based on the Basel model. Idem for the net stable funding ratio (NSFR).	BCC	M	LT
7	Lack of accuracy of the onsite supervision process	Implement a risk-based supervision (RBS) system and upgrade other supervisory processes	Assistance in updating guidance manuals for onsite supervisors	BCC	MH	LT
8	Improve supervision of problem banks and early intervention	Implement a risk-based supervision (RBS) system and upgrade other supervisory processes	Supervisory procedures, early warning indicators, early intervention Adopt a problem bank supervision, policy and process	BCC	MH	LT
			Nonbank Sector—Payment Services			
9	Insufficient supervision of the activity of payment institutions	Develop/strengthen banking regulations and prudential norms	Assistance in drafting specific instructions once the legal framework for these institutions has been stabilized and the roadmap proposed by AFRITAC Central has been validated. (As soon as the banking law has been passed and the roadmap requested by AFRITAC Central has been validated).	BCC	MH	MT

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
10	Failure to apply prudential and management rules for payment institutions	Implement a risk-based supervision (RBS) system and upgrade other supervisory processes	Organize and lead a training workshop for supervisors —both ongoing supervisors and onsite supervisors (After the prudential standards have been defined)	BCC	MH	MT
B. Crisis management and financial safety net						
1	Risk of contagion from parent companies and capture of Congolese public savings abroad	Operational preparedness in line with international good practice	Review of existing cross-border cooperation agreements. Evaluation of their relevance, including in the event of a liquidity crisis scenario. Review of the relations between the BCC and each of the home resolution/supervisory authorities. Request for disclosure of group recovery and resolution plans.	BCC	H	ST
2	Risk that banks are not well prepared to respond to stress scenarios	Develop/strengthen the special resolution regime and crisis preparedness framework	Assistance in drafting regulations on the preventive recovery plans required of banks. Guidance on the supervisory review of recovery plans. (Condition: after the law has been promulgated.)	BCC	MH	ST
3	Conflicts of interest	Operational preparedness in line with international good practice	Governance of the bank resolution function. Address conflict of interest issues by structurally separating the decision-making process in respect of bank resolution, from bank supervision and responsibility for emergency liquidity. (Condition: after the law has been promulgated.)	BCC	MH	MT

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
4	Resolution tools to be adapted to the development stage of the banking system	Operational preparedness in line with international good practice	Assistance in drafting a resolution handbook prioritizing transfer and liquidation tools. Assistance in drafting a regulation on bank liquidation. Review the options available for the bank resolution funding and support the implementation of the chosen option. (Condition: after the law has been promulgated.)	BCC	H	MT
5	Use of liquidity mechanism in resolution puts the central bank at risk	Introduce/strengthen the emergency liquidity assistance (ELA) framework	Align the ELA framework with international best practices in a highly dollarized system.	BCC	H	MT
6	No deposit insurance in the event of bank failure	Introduce/strengthen the deposit insurance framework	Assess achievement of the preconditions for implementing a deposit insurance system. Use of deposit insurance resources for resolution purposes (provided preconditions have been met).	BCC	M	LT
C. Bank stress tests						
1	Anticipation of exit from the crisis	Strengthen systemic risk monitoring, stress-testing and crisis management frameworks	Implement stress tests on nonperforming loan portfolios once the BCC's special measures to address the pandemic have been lifted.	BCC	H	IM
2	Failure to anticipate macrofinancial weaknesses	Strengthen systemic risk monitoring, stress-testing and crisis management frameworks	Implement stress tests (solvency, liquidity, interconnection) to address the macrofinancial vulnerabilities identified.	BCC	M	MT

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
D. Financial stability mandate and macroprudential policies						
1	Lack of macroprudential supervision	Develop/improve systemic risk tools and monitoring systems	Examine availability of reliable data or developments needed (from credit register, FSI).	BCC	H	ST
2	Lack of macroprudential supervision	Develop/improve systemic risk tools and monitoring systems	Reform of the credit register operated by the BCC with WB/IFC support and funding. (Should not be a precondition to IMF's TA on building the financial stability function)	BCC	H	[will be determined by the IFC
3	Lack of macroprudential supervision	Establish/ strengthen an effective macro-prudential policy framework	Preparation of a macroprudential strategy Identify financial stability risks. Create dashboards (while continuing to work in parallel on data availability and reliability). (Condition: The Financial Stability Department must be in place)	BCC	H	MT
4	Lack of macroprudential supervision	Develop/improve systemic risk tools and monitoring systems	Preparation of a macroprudential strategy Select contextually relevant macroprudential surveillance indicators. Select instruments that could be used for macroprudential policy purposes (Condition: The Financial Stability Department must be in place)	BCC	H	MT
5	Lack of macroprudential supervision	Develop/ strengthen communications on financial stability	Preparation of a macroprudential strategy Improve the content of the Financial Stability Report Communicate on the financial stability function	BCC	M	LT

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
E. Financial stability implications of financial sector deepening and financial inclusion						
1	Possible scenario in which banks' relations with their foreign correspondents shrink with systemic impact	Operational preparedness in line with international good practice	Prepare a BCC contingency plan in the event that the banks' relations with their foreign correspondents shrink with systemic impact	BCC	H	MT
F. Emerging topic: Mainstreaming gender in financial supervision						
1	Failure to consider the gender dimension in the contribution to financial stability	[No LogFrame item yet for this pilot exercise]	Gender equality at the BCC: plan, policies, and commitments on supervision. [Gender-aware toolkit, parts A1, A2, A3, assisted by previous TA]	BCC	MH	ST
2	Failure to consider the gender dimension in the contribution to financial stability	[No LogFrame item yet for this pilot exercise]	Use existing data on members of the boards of financial service providers (FSPs) to address gender balance in FSP management. [Gender-aware toolkit, parts A1, A2, A3, B2]	BCC	MH	ST
3	Failure to consider the gender dimension in the contribution to financial stability	[No LogFrame item yet for this pilot exercise]	Support for the development of gender-aware consumer protection supervision. [Gender-aware toolkit, parts: A2, B2]	BCC	MH	MT
4	Failure to consider the gender dimension in the contribution to financial stability	[No LogFrame item yet for this pilot exercise]	Follow-up of topics covered in Year 1.	BCC	MH	MT

Subject	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority[1]	Time Horizon[1]
5	Failure to consider the gender dimension in the contribution to financial stability	[No LogFrame item yet for this pilot exercise]	Improvement of the collection of gender-disaggregated data GDD - priorities for supervision and financial inclusion [Gender-aware toolkit, parts A2, B2 and A3] (Possibly in partnership with STA)	BCC	MH	LT
6	Failure to consider the gender dimension in the contribution to financial stability	[No LogFrame item yet for this pilot exercise]	Follow-up of topics covered in Years 1 and 2.	BCC	MH	LT

1/ **Time horizon**: **IM:** < 6 months; **ST:** < 12 months; **MT:** 12–24 months; **LT:** 24–48 months.

Key:			
Time horizon		**Priority**	
Immediate (IM)		**High**	
Short-term (CT)		**Medium-high**	
Medium-term (MT)		**Medium**	
Long-term (LT)			

ANNEX 2. STOCKTAKING AND REVIEW OF IMPLEMENTATION OF TECHNICAL ASSISTANCE RECOMMENDATIONS 2016–2021

IMF Financial Sector Assessment Program (FSAP) mission to DRC, 2014 - Main Recommendations

	Recommendations	Timeframe[1]	Implementation of the Recommendation	MCM comments (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)
Financial stability, supervision, and crisis management				
A	Complete the clean-up of the BCC's balance sheet and its recapitalization.	Short-term: A progress report on streamlining the BCC's operating costs is due by end-May.		ONG
B	Adopt the new banking law and the central bank law to reinforce the BCC's independence, responsibilities, and its transparency.	Short-term: The drafts are already at the Ministry of Finance (MOF) level. The Banking Law is expected to be approved in the coming months.	Organic Law 18/27 of December 13, 2018 on the organization and functioning of the BCC has been promulgated and is being implemented, including the establishment of the Bank's new senior management and board. In the case of the Banking Law, a new draft of the law, revised with assistance from the IMF and the World Bank, was sent to Parliament in mid-December 2021.	ONG
C	Strengthen the BCC's validation and analysis of data.	Short-term: Preparation is to start immediately with the reinforcement of the technical capacity, and progress will be achieved over time.	In progress.	ONG FSAP 2014, para. 24: "A specialized unit, responsible for enhancing supervision data, its analysis, and performing stress tests within the Directorate for the Supervision of the Financial

[1] Immediate (I) = 0-3 months, Short term (ST) = 3-6 months, Medium term (MT) = 6-18 months, Long term (LT) = 18-24 month.

	Recommendations	Timeframe[1]	Implementation of the Recommendation	MCM comments (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)
				Intermediaries (DSIF), is urgently needed. (...)an effective reinforcement of the DSIF' monitoring capacity (with qualified experts) and periodic banks' stress test analyses would permit identify financial stability pressures, and, for instance, identify mismatches in bank's balance sheets in a timely manner."
D	Establish a legal framework and operational mechanism for crisis prevention, preparation, and management.	Medium-term: Preparatory work could start in the coming months.	The passing of the new Banking Law will pave the way for implementation of this new legal framework for crisis resolution and an ad hoc operational framework	ONG
E	Strengthen the legal and regulatory framework for bank intervention and liquidation.	Medium-term: Preparatory work could start in the coming months.	The passing of the Banking Law will strengthen the crisis resolution framework including in liquidation cases	ONG
F	Introduce effective risk-based supervision.	Medium-term: Preparatory work could start soon, supported with IMF technical assistance (TA), but progress will require time.	Several technical assistance missions were undertaken by Afritac Central to strengthen the capacity of the teams in applying risk-based supervision, including adoption of the SYSNOB bank rating system.	ONG
G	Strengthen regulations on provisioning and classification of nonperforming loans.	Short-term: There is some work ongoing but much more is needed to align current practices to best practices.	Since the FSAP, Instruction 16 had been amended to incorporate the expected loss component in addition to actual loss. AFRITAC technical assistance on implementation of IFRS 9 is currently planned for early 2022.	ONG

	Recommendations	Timeframe[1]	Implementation of the Recommendation	MCM comments (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)
Nonbank Financial Institutions - Insurance				
H	Promulgate an upgraded insurance code to strengthen governance and the powers of the supervisor.	Medium-term: The liberalization of the sector is in process and should materialize in the coming weeks.	The Insurance Code was promulgated in 2015, launching liberalization of the sector and the establishment of an Insurance Regulation and Supervision Authority: 10 insurance companies licensed as of end-2021.	FA
De-dollarization				
I	Adopt a medium-term roadmap for de-dollarization, with realistic timelines and the prioritization of measures, and that takes into account the risks of de-dollarization.	Medium-term: The pre-conditions for de-dollarization need to be in place. The current plan needs to be improved with realistic timelines, medium-term targets, and prioritization.	A working group on de-dollarization, including government experts, had been set up at the BCC. A de-dollarization roadmap had also been adopted. The activities of this working group need to be revived.	NA
Financial inclusion				
J	Adopt a revised law on leasing.	Medium-term	Proposed amendments to the law on leasing have been submitted to the Office of the Minister of Finance. It is now a question of transmitting this draft amendment to Parliament for legislation.	FA
K	Strengthen supervision of microfinance and provide for the liquidation of institutions that are not viable.	Medium-term: The World Bank 6-year project on financial infrastructure and markets development signed on April 2014 covers this aspect.	The laws governing the microfinance sector are currently being revised, to produce a consolidated law that covers both mutual and nonmutual institutions.	ONG
L	Adoption of a restructuring (or liquidation) plan for CADECO based on minimization of risks and fiscal costs.	Short-term	Recovery of Congo Savings Bank (CADECO) requires significant financial resources, given its deteriorated state. Back in 2006, the BCC had the chance to liquidate it given the lack of prospects for its recovery. It was then that the government decided to rescue the institution, but without success. Currently, the State shareholder is still looking for a partner to recover CADECO.	NA

	Recommendations	Timeframe[1]	Implementation of the Recommendation	MCM comments (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)
Financial infrastructure				
M	Review and adopt the draft law on payment systems.	Short-term	Payment Systems Law passed in 2018	FA
N	Make the new credit registry operational.	Short-term	The ISYS-CERI application for the credit register has been operational since April 29, 2013. A project to outsource the CERI, launched in 2016 with support from German cooperation, was unsuccessful. The BCC approached the International Finance Corporation (IFC) to revive the project. KfW returned with a budget of €3.6 million to support the establishment of an efficient and standards-compliant credit register. The current situation is that the IFC has hired a consultant to conduct a diagnostic study.	ONG
O	Amend the law on commercial courts, adapting it to OHADA.	Medium-term	Not under BCC jurisdiction.	-

MCM Technical Assistance Mission to DRC, 2017–2021—Key Recommendations

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Institutional Framework for Financial Stability			
	No technical assistance on the subject in the last five years			-
	Financial Regulation and Supervision			
	FY 2021—Virtual (COVID): Discussion about COVID-19-related banking supervision prudential measures; April 2021; 20MMI0205		Publication of the revised Instruction 44 in December 2021 is part of this process	
1	Make a detailed assessment of the effects of special prudential measures on the banking sector. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	Data collection is under way, with the introduction of new statistical statements in the annex to the revised Instruction 44 adopted in December 2021. It is clear that the unlimited restructuring of claims as initially recommended by Instruction 44 in March 2020 was likely to conceal their deterioration.	**ONG**
2	Update the assessment of the financial and prudential situation and risks of the banking sector at end-FY 2020. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	Idem	**ONG**
3	Consult with the competent national and foreign authorities to ensure that the response action calibrated by the BCC in 2021 on the banking sector is consistent with the strategies developed by these authorities. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	The BCC had requested and obtained from IMF AFRITAC Central the organization of a workshop on good practices for dealing with crisis situations such as the COVID-19 pandemic. The BCC also learned about the experiences of others in this field through its various participations in the meetings of several regional, continental, and international organizations.	**ONG**

[2] Immediate (I) = 0–3 months, Short term (ST) = 3–6 months, Medium term (MT) = 6–18 months, Long term (LT) = 18–24 months.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
4	Calibrate special prudential measures by adapting them to the prolongation of the pandemic while anticipating their gradual lifting as the pandemic comes to an end. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	See Instruction 44 Amendment 1	**ONG**
5	Define strategic priorities for banking supervision in 2021 in a strategic document with an operational action plan, taking into account the pandemic impact. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	The following priority areas have already been identified: assessment of the quality of bank assets, management of risks related to cybercrime or fintech, de-risking, and governance risks.	**PA**
6	Strengthen dialogue with the banking profession and the institutional communication policy, regarding special prudential measures and supervision policy in the pandemic context. § 36-37 and Annex 3, Part III Authority in charge: BCC	Dec 31, 2021	Discussions were held between the BCC's senior management and the banking profession, during which a number of concerns related to Instruction 44 were raised. These were taken into account in the revision of this instruction.	**FA**
7	Delay the implementation of new prudential standards until after the pandemic. § 36-37 and Annex 3, Part III Authority in charge: BCC	I	Implemented in terms of an increase in minimum capital requirements spread over three years with some restrictions.	**FA**
8	Suspend reporting institutions' decisions that negatively impact capital strengthening. § 36-37 and Annex 3, Part III Authority in charge: BCC	I	Implemented. See revised Instruction 44	**FA**
9	Clarify how to temporarily relax the debt classification rules during the pandemic. Prepare for a rapid return to the pre-crisis rules. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	Implemented. See Instruction 44 as currently in force	**FA**
10	Clarify how receivables are provisioned during the pandemic. Prepare for a rapid return to the pre-crisis rules.	Sep 30, 2021	Item above	**FA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	§ 36-37 and Annex 3, Part III Authority in charge: BCC			
11	Study the possibility of relaxing the rules for calculating the solvency ratio to take into account the public guarantee provided for certain claims, where applicable. § 36-37 and Annex 3, Part III Authority in charge: BCC	Dec 31, 2021	Study under way on the prospects for improving the State's credit standing, particularly vis-à-vis the banking sector.	**ONG**
12	Identify elements of the business continuity plan (BCP) that need adjustment or supplementation to improve the resilience of financial institutions to the pandemic. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021		**NA**
13	Insist on the need for financial institutions to have sufficient liquidity in general, both in domestic currency (CDF) and in foreign currencies (including specifically in USD). § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	Compliance with these rules is an ongoing obligation. Moreover, in the 2020 special measures, the BCC committed to providing liquidity in domestic currency to institutions facing liquidity problems.	**ONG**
14	Clarify the conditions for applying the legal obligation for financial institutions to have their annual accounts formally approved. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	This provision has been pared back in the new Instruction 44, since meetings can now be held both in person and by video conference.	**FA**
15	Specify the modalities of financial reporting by financial institutions to ensure financial transparency as regards the impact of the pandemic. § 36-37 and Annex 3, Part III Authority in charge: BCC	Sep 30, 2021	This could be one of the cases where the situation returns to normal in 2022. Semiannual reporting is still being assessed by the BCC as it considered too burdensome for the banks.	**ONG**
16	Specify additional regulatory reporting statements, or any other information and data request, to better measure the	I	In progress.	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	impact of the pandemic on the financial and prudential situation and risks facing reporting institutions. § 36-37 and Annex 3, Part III Authority in charge: BCC			
17	Define the temporary arrangements for BCC organization and internal functioning with respect to missions on bank regulation and supervision during the pandemic and in readiness for the end of it. § 36-37 and Annex 3, Part III Authority in charge: BCC	I	Ongoing. This is a crosscutting action.	**ONG** Suspension of onsite inspections as of March 2020 (COVID-19) except at one problem bank.
18	Adapt the early intervention policy to deal with bank difficulties, without abandoning the use of legal powers when a situation warrants a decision to take preventive action. § 36-37 and Annex 3, Part III Authority in charge: BCC	Dec 31, 2021	Awaiting adoption of new banking law.	**ONG**
19	Prepare for the end of the crisis by conducting prospective stress tests on the banking sector. § 36-37 and Annex 3, Part III Authority in charge: BCC	Dec 31, 2021	Technical assistance needed to set up a test model.	**NA** Need for technical assistance following FSSR
	FY 2021 - Virtual (COVID): Training on offsite and onsite supervision of IT risk in the banking sector; February 2021; 20MMI0204			
1	Revise the methodological guide proposed in Annex I. § 24 Authority in charge: BCC	Jun 30, 2021	Work is under way with our IT supervisor team for an AFRITAC Central technical assistance mission on this subject in February 2022.	**ONG**
2	Formally evaluate the experience of implementing the IT control benchmark developed by AFRITAC Central for the BCC in 2016. § 24	Jun 30, 2021	Pending	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Authority in charge: BCC			
3	Conduct a pilot onsite audit of a credit institution chosen by the BCC, covering all or part of the IT risk topics covered in the guide. § 24 Authority in charge: BCC	Short term	Pending. This mission can be considered with the Information Technology/BCC Directorate after the pandemic has subsided	**ONG**
4	Analyze IT risk issues in the DRC's banking system, based on the control approach recommended in the guide proposed in Annex I, and formalize the conclusions of this analysis in a summary note. § 24 Authority in charge: BCC	Sep 30, 2021	Pending	**NA** Related to the suspension of onsite inspections owing to the pandemic (one team fell ill during an inspection).
5	More precisely identify the issues of IT risk supervision in credit institutions, which the BCC is confronted with and pose special implementation difficulties. § 24 Authority in charge: BCC	September 30, 2021	Prerequisite: data reliability and need for access to the database with appropriate tools without legal risk. See the draft banking law.	**NA**
6	Publish recommendations to the banking industry on BCC's expectations for the appropriate implementation of sound IT risk management and control practices. § 24 Authority in charge: BCC	Short term	Pending	**NA**
7	Once the onsite training workshop on controlling computer risk has been delivered by AFRITAC Central: • Finalize and validate the related methodological guide; • Launch a campaign of onsite inspections in credit institutions, focusing on IT risk; • Review this campaign and calibrate the regulatory provisions, recommendations to the profession, and methodological guide accordingly, if necessary. § 24	• Short term • Medium term • Medium term	Pending	**NA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Authority in charge: BCC			
	FY 2021—Virtual (COVID): TA Review of prudential regulation n° 24 applicable to payment institutions September 2020; 18MMA8538			
1	Review and, if necessary, amend the 23 recommendations contained in the roadmap proposed to the BCC for finalizing the reform relating to the development of a comprehensive and coherent framework for the regulation and supervision of payment institutions and payment services. § 33-34, Annex I Authority in charge: BCC	I	Pending the law, the payment institution concept does not exist yet. The banking law would lift the requirement to be constituted as a credit institution.	**ONG**
2	After internal consultation at the BCC between the departments involved, finalize the overall framework note for the reform. § 33-34, Annex I Authority in charge: BCC	Dec 31, 2020	Pending	**ONG**
3	Identify and articulate the need for additional technical assistance to carry out the reform. § 35–36 Authority in charge: BCC	I	Pending	**ONG**
4	Synchronize the reform with the current project to revise Law 003/2002 of February 2, 2002, on the activity and control of credit institutions, known as the “Banking Law”, to integrate the legal provisions concerning payment institutions. § 18 Authority in charge: BCC	ST	Pending	**ONG**
5	Prepare a draft instruction on the prudential requirements applicable to payment institutions. § 21 Authority in charge: BCC	Apr 30, 2021	Pending	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	FY 2020 - Virtual (COVID): TA Review of draft BCC regulation on financial disclosure (Pillar 3); April 20–30, 2020; 18MMA8535			
1	Finalize the draft instruction to credit institutions on financial disclosure. § 18 Authority in charge: BCC	Dec 2020	Implemented. Waiting for the right moment to start the consultation with the banking profession.	**FA** Regulatory initiative suspended following COVID-19 recommendations from MCM and AFRITAC Central. Consultation with the profession could be done by email in Q1 2022.
2	Clarify the issue of maintaining IFRS as the basis for the published annual financial statements. § 18 Authority in charge: BCC	Dec 2020	This project is now part of the implementation of IFRS by the BCC as an enterprise.	**ONG** Relaunch of the banking sector project envisaged for after the internal IFRS project for the BCC has been completed.
3	Publish the instruction with an explanatory memorandum and make a presentation to the banking industry on the BCC's expectations. § 18 Authority in charge: BCC	Dec 2020	See 1	**ONG**
4	Set up an internal organization appropriate to the DSIF to oversee the implementation of the new financial reporting requirements. § 18 Authority in charge: BCC	ST	To be implemented after the instruction has entered into force.	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
5	Within one year of the instruction's entry into force, review the implementation of its provisions, with a view to updating it if necessary. § 18 Authority in charge: BCC	LT	To be implemented after the instruction has entered into force.	**ONG**
6	Update the instruction once the entire Basel framework has been transposed. § 18 Authority in charge: BCC	LT	To be implemented after the instruction has entered into force.	**ONG**
	FY 2020 - Review on the bank rating model (ORAP/CAMELS); February 2020; 18MMA8528			Executive Summary[3]
1	Appoint four advisers to the DSIF to manage the scoring model: • a model methodology manager, and alternate ; • a person responsible for the model's IT maintenance, and deputy. Formalize objectives in a mission letter, with a view to optimizing the model by refining the calibration, continuing the tests, and implementing a permanent policy of quality control and adaptation of the model to changes in the Congolese banking sector environment. § 34 Authority in charge: DSIF	I	The dedicated team exists, letter formalizing the mission to come. Pending	**ONG**
2	Carry out a campaign to test all components of the rating model on a sample of at least 8 banks out of 17. § 35	April 30, 2020	Implemented in June 2021.	**FA**

[3] **The attention of the BCC's senior management is once drawn to the urgent need to more effectively ensure the quality of the data disclosed by the reporting institutions and of the information reprocessed in the DSIF, to underpin the relevance of the evaluations and analyses conducted in the rating process**. The level of anomalies observed remains unsatisfactory. The structuring of a quality control function, equipped with the appropriate resources and tools, and an increase in the severity of the BCC toward institutions identified as submitting data or information of quality, would seem be essential.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Authority in charge: DSIF			
3	Recalibrate the indicators of the model for which the initial calibration used figures that seemed insufficiently robust. § 36 Authority in charge: DSIF	ST	Done	**FA**
4	Calibrate and weight the model indicators that could not be calibrated during the mission owing to lack of available data. § 37 Authority in charge: DSIF	ST	Implemented	**FA**
5	Develop, as needed, the range of regulatory reporting statements, to provide recurrent disclosure of numerical data useful for rating, to be integrated into the bank supervision application (BSA) system. § 38 Authority in charge: DSIF	ST	Pending (models ready but not distributed to the banks)	**ONG**
6	Develop a technical operator's guide, or methodological note, to assist the DSIF supervisors in proper implementation of the rating model. § 39 Authority in charge: DSIF	MT	Pending	**ONG**
7	Prior to rating a bank, systematically interview the senior management and operational managers, to gather information and answers to any questions for which information is lacking. If necessary, for certain figures, enhance reporting in the BSA system. § 38 Authority in charge: DSIF	MT	To be systematized	**ONG**
8	Conduct a comprehensive review of the BCC's overall bank supervision processes, with a view to developing a roadmap for reforms that remain incomplete, and thus finalize the full implementation of risk-based supervision.	MT	Pending	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Take into account the new rating tool, which is expected to become the pivotal process of permanent control and the foundation of risk-based supervision. Develop an operational supervision policy at the DSIF level, so that the results of the rating process, combined with the impact analysis, enable the BCC to adopt appropriate, early, and proportionate supervisory measures to address the fragilities identified. § 41–43 Authority in charge: DSIF			
9	*REMINDER of the recommendations made by the previous AFRITAC Central missions (Recommendation 2 of Report 6666758 and Recommendation 1 of Report 6726237)* Set up the quality control process for regulatory information disclosed by reporting institutions and for data reprocessed internally by the DSIF. § 30 Authority in charge: DSIF	ST	Pending	**NA**
	FY 2020 - Methodological guidance for onsite control of risk management; July 2019; 17MMW3722			
1	=REMINDER= (Recommendation 2 of Report 6666758, adjusted) Undertake a campaign to verify primary financial data (reported by credit institutions) and secondary financial data (reprocessed by DSIF for analysis), to provide a sound basis for the prudential supervision process. Set up a permanent quality assurance function within the DSIF to guarantee the reliability of data from reporting institutions. § 11 Authority in charge: BCC	ST	Pending	**NA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	**MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented**
2	=REMINDER= (Recommendation 8 of Report 6666758, adjusted) Set up a function within the DSIF to periodically identify bank supervisors' training needs, and develop and implement a comprehensive and coherent training plan to build both individual capacity and the collective capacity of the DSIF. § 30 Authority in charge: BCC	ST	Already implemented by the relevant managers, for the compilation of training needs each year end.	**FA** According to the report, "function" means an organized process, not the creation of a new unit in charge of training: "Depending on BCC's sovereign assessment, this function could be created either strictly internally within the DSIF or in coordination with the Human Resources Department."
3	Conduct a final review and validation of the three methodological notes on governance, internal control, and risk management. § 21 Authority in charge: BCC	ST	To be implemented by the Division responsible for the ongoing supervision of banks and other financial intermediaries	**ONG**
4	Conduct one or more onsite thematic oversight missions on governance, internal control, and risk management, to test the methodology in the field, prepare an experience report, and adjust or refine the related notes as necessary. § 21 Authority in charge: BCC	MT	To be planned after the COVID-19 suspension.	**ONG**
5	Set up an ICAAP/ILAAP/SREP project management structure with a steering committee and a technical committee, bringing together experts with a diverse profile, under the responsibility of an appointed project head manager.§ 20 Authority in charge: BCC	LT	Pending (team already exists informally).	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
6	Develop an operational plan of action to implement the proposed "roadmap", including a detailed statement of ICAAP/ILAAP/SREP project objectives, stages, deadlines, etc., validated at the top level of the BCC. § 20 Authority in charge: BCC	LT	Pending	**ONG**
7	When the time comes, set up a joint committee of experts from the BCC and the banking industry to coordinate the progress of the ICAAP/ILAAP/SREP project among all stakeholders. The committee would be led by an appointed official at an appropriate level of authority, with a very specific mission letter and roadmap. § 20 Authority in charge: BCC	LT	Pending	**ONG**
	FY 2019 - Banking Regulation and Supervision, Part IV [Final review of BCC instructions 17, 18, 19, 21 and 22, training of supervisors and methodology for monitoring these instructions]; September 03–14, 2018; 19MMH4700			
1	Formally request assistance from the IMF's Legal Department (LEG), through the Monetary and Capital Markets Department, to review the draft revised banking law, currently before Parliament, with a view to aligning it with the latest international standards and the new revised instructions. § 21 Authority: BCC, with IMF technical assistance (MCM/LEG), subject to formal request by BCC and acceptance by IMF	I	Implemented.	**FA** Draft law introduced in December 2021.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
2	As part of Recommendation 1, list all changes to be made to the draft revised banking law and propose a new revised banking law. § 22 Authority in charge: BCC (IMF technical assistance, if necessary, as indicated above)	Dec 2018	Implemented.	**FA** Draft law introduced in December 2021.
3	Forge agreement between the DSIF and the Legal Affairs Department (DJ), under the auspices of BCC top management, to definitively settle any legal issues that may be raised by the revised instructions, without calling into question the strategic options adopted during previous missions, such as the architecture of the texts, or progress on prudential issues. § 23 Authority in charge: BCC	I	Implemented.	**FA** Draft law introduced in December 2021.
4	Have the Governor of the Central Bank of the Congo sign the revised instructions and publish them through official channels, providing for a one-year transition period before they come into effect. Arrange for close supervision of the institutions subject to the instructions during the transition period, in terms of the action plans they will need to produce to ensure full compliance with the provisions of the instructions by the deadline for entry into force. § 24 Authority in charge: BCC	Dec 2018	Implemented in 2019	**FA**
5	Maintain the DSIF working group as the focal point for the banks to make sure the revised instructions are applied consistently. § 25 Authority in charge: BCC	I	This is an informal group consisting of DSIF managers and other experts.	**FA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
6	Set up an internal network of expert supervisors (designated as "*référents*") with capacity to train and answer questions from their supervisory colleagues, and even from banks, on the application of the new provisions. Extend this approach in terms of structured organization of a "competency hub" within the DSIF to all relevant issues (e.g., Instructions 14 and 16, prevention of money laundering, etc.) because of their technical nature or complexity. § 26 Authority in charge: BCC	June 2019	Pending	**FA**
7	As soon as possible, carry out an official structured and educational communication action targeting the banking profession and statutory auditors, to explain the main changes introduced by the revised instructions and make known the supervisors' expectations for their implementation. Without waiting for this formal action, explicitly respond, either verbally or in writing, to comments made by the Congolese Banks Association (*Association congolaise des banques*—ACB) on the draft revised instructions. § 27 Authority in charge: BCC	March 2019	Implemented prior to the release of the instructions (with participation by AFRITAC Central and the BCC Governor).	**FA**
8	Establish a structured crosscutting function in the DSIF to manage the internal procedures and control methodology, to ensure effective appropriation and implementation of the new texts by the supervisors and, more generally, to standardize the methods of onsite and offsite supervision. § 28 Authority in charge: BCC	Dec 2018	In principle, the draft operational procedures on different themes are developed by the members of a department, coordinated by the managers for the first validation. These drafts should normally be submitted to the Management and Strategy Committee (MSC) before approval by the BCC's senior management.	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
9	Prepare a methodological guide for the onsite control of the new prudential provisions, continuing the work that began during the present mission by AFRITAC Central. § 29 Authority in charge: BCC (possible technical assistance from AFRITAC Central, to be determined)	Sep 2019	To be completed	**ONG**
10	Update the CAMELS/ORAP rating tool to adjust the criteria for assessing the institutions' risk profile. This should take into account the changes introduced by the recently revised instructions (including quantitative Instructions 14 and 16), to make this tool truly operational within the DSIF and become the preferred and standard instrument of permanent control in risk-based supervision. § 30 Authority in charge: BCC (possible technical assistance from AFRITAC Central, to be determined)	Dec 2019	The SYSNOB application was set up as a scoring system	**ONG** The rating system has been used in a test environment, but has yet to be integrated into the standard risk-based monitoring process.
11	Finalize the development of standard applications for approval and prior authorization. § 31 Authority in charge: BCC	Mar 2019	Pending	**ONG**
12	Establish a structured crossfunctional training unit in the DSIF, to identify training needs in relation to recently revised regulations, and more broadly to identify other training needs and provide more in-house basic training through better sharing of experiences and lessons learned from external training events. § 32 Authority in charge: BCC	Mar 2019	See above	**FA**
13	Designate trainer-trainers within the DSIF who are able to provide their colleagues with appropriate training in relation to the previously identified needs. § 33	Jun 2019	To be considered in the context of a reorganization of the DSIF.	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Authority in charge: BCC			
14	Deepen the operational training of supervisors on the most technical points included in the revised instructions: risk mapping, determination of risk appetite and tolerance, stress tests, contingency plans, etc. § 34 Authority in charge: BCC	Jun 2019	Implemented with support from AFRITAC Central. To be repeated for good assimilation.	**FA**
	FY 2019 - Banking Regulation and Supervision [Licensing Procedures]; May 28–June 08, 2018; 19MMH4200			
1	Define a strategy for the draft revised banking law currently before Parliament. It is up to the BCC to decide between several alternatives: (i) the overall adoption of the revised banking law, with technical assistance from the IMF (Legal Department – LEG) if necessary; or (ii) direct intervention with the Chair of the Parliamentary Committee through a memorandum explaining reasons and containing an alternative drafting proposal for each article requiring a drafting change. § 19 Authority in charge: BCC (with technical assistance from LEG, if formally requested by the BCC)	Jun 2018	Implemented	**FA** Draft law introduced in December 2021.
1.1	As part of Recommendation 1, review the table of possible amendments to the banking law attached to this report (Annex 2) and decide how to proceed, either individually for each of the proposals or as a whole in a revised draft law. § 19 Authority in charge: BCC	June 2018	Implemented	**FA** Draft law introduced in December 2021.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
2	The points of caution noted below in this report, which concern certain prudential options that were discussed during the mission, should be discussed in the DSIF, with participation by the Legal Affairs Department, if necessary, to validate the choice ultimately made. As a reminder, these are the concept of "directors" subject to approval, the status of reference shareholder, the approval threshold for a shareholder, and the protection of the persons in charge of internal control functions. § 20 Authority in charge: BCC	June 2018	Implemented	**FA** Draft law introduced in December 2021.
3	Hold urgent formal consultations with the banking profession on the draft revised prudential instructions. The DSIF and the Legal Affairs Department should review Instructions 17, 18, 19, 21 and 22, as soon as possible, to enable the BCC to circulate the drafts to the Congolese Banks Association (ACB), together with an explanatory note that could be based on the text in Annex 3 to this report. § 20–21 Authority in charge: BCC	June 2018	Implemented	**FA**
4	The schedule for consultation with the banking profession should set a hard deadline of August 15, 2018, for the receipt of responses by the DSIF. In this way, before the final AFRITAC Central mission which will close the regulatory project, from September 3 to 14, 2018, the DSIF will be able to collate the responses in a summary table and make an initial analysis of the comments received. § 21 Authority in charge: BCC	Aug 2018	Implemented	**FA**
5	Finalize the development of standard applications for approval and prior authorization, which was started at the	Sep 2018	Pending (see above)	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	end of the mission by a working group of junior supervisors, supervised by an experienced DSIF manager to be appointed, with the aim of producing results from the work, for review by AFRITAC Central during the last technical assistance mission. § 22 Authority in charge: BCC			
	FY 2019—Banking Regulation and Supervision[4]; March 11–22, 2019; 18MMA8511			
1	Launch discussions with a view to making international money transfer companies subject to official approval by the BCC when they operate in Congolese territory under their own brand name, even if through partnerships established with regulated institutions. § 19 Authority in charge: BCC	MT	In progress. Draft Instruction 006, Amendment 2, finalized. Consultations held with the profession.	**ONG** Regulatory initiative suspended following COVID-19 recommendations by MCM and AFRITAC Central.
2	Conduct a campaign to verify primary financial data (reported by banks) and secondary financial data (reprocessed by DSIF for analysis), to ensure a sound basis for financial analysis. Set up a quality assurance function within the DSIF to guarantee the reliability of the banks' data. § 23 Authority in charge: BCC	ST	Pending. To be made permanent, taking other prerequisites into account, such as the IT audit and access to the banks' databases to ensure implementation of the current accounting framework.	**ONG**

[4] **This mission came at the right time to reinforce the support to the Authority, which is about to publish the five qualitative prudential instructions that were revised during the four previous missions.** These address major issues for assuring the resilience of the Congolese banking system and improving its international reputation. The Governor of the BCC is committed to completing this reform in the near future and has personally engaged in high-level communication with representatives of the banking profession.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
3	Issue rules on the use to be made, within the framework of the permanent and onsite control process, of the financial data published in the banks' IFRS financial statements, given the persistent difficulties of finalizing the exhaustive and reliable delivery of the financial statements pursuant to IFRS. § 24 Authority in charge: BCC	MT	See above on the same concern	**ONG**
4	Finalize the three bank studies that were incomplete at the end of the mission, as indicated. Extend the analysis, in the same way, to the eleven other banks subject to supervision. § 25 Authority in charge: BCC	ST	To be abandoned.	Completion of this recommendation issued in 2019 is no longer relevant in 2022.
5	Through an internal DSIF procedure, formalize the process of systematically making an analysis of the financial situation of each bank, at a frequency adapted to the risk profile. § 26 Authority in charge: BCC		An informal process exists and is applied by Ongoing Supervision, on a monthly basis for large banks, or otherwise quarterly; but there is no formalized internal process.	**FA**
6	Through an internal DSIF procedure, design the BCC's early intervention process, to organize preventive treatment of the fragilities highlighted by the studies. § 27 Authority in charge: BCC	MT	To be implemented, taking into account the innovations in the draft banking law.	**ONG** Propose technical assistance on early intervention and recovery in the FSSR Roadmap.
7	Conduct regular formal reviews of the financial analysis report template, as attached to this report, as part of the ongoing adaptation of the risk-based supervision methodology, and have the amendments approved by DSIF management. § 28 Authority in charge: BCC	MT	Pending	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
8	=REMINDER= Establish a function, either strictly internal or in coordination with the Human Resources Department, tasked with regularly identifying the bank supervisors' training needs. These should then be included in a general and coherent plan of training actions, to strengthen both individual capacities and the collective capacity of the DSIF. § 29 Authority in charge: BCC	ST	See supra	**FA**
9	=REMINDER= Appoint trainer-trainers within the DSIF, to provide their colleagues with practical training in financial analysis or any other subject related to the supervisors' identified capacity-building needs. § 30 Authority in charge: BCC	MT	See supra	**NA**
10	Finalize, validate, and circulate within the DSIF the two methodological notes concerning the onsite control of governance and the internal control system. § 15–17 Authority in charge: BCC	ST	To be finalized (projects exist but not validated).	**ONG**
11	Finalize the standard application forms (templates) for seeking the approval of institutions and directors, so as to specifically review the governance, internal control, and risk management systems, whether in place or planned, at the approval stage. § 18 Authority in charge: BCC	ST	Pending	**ONG**
12	Implement a support and supervision strategy appropriate to each reporting institution, including a set of communication and support measures, close monitoring interviews, and onsite inspections, to ensure the effective and appropriate implementation of the revised prudential instructions. § 31	ST	Pending	**ONG**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Authority in charge: BCC			
	FY 2018 - Capacity development of the BCC for implementing banking supervision based on IFRS standards[5]; April 16–27, 2018; 18MMG1000			
1	Recommendation 1 Update Instruction 19 on the competencies and qualifications required of the statutory auditors (*commissaires aux comptes* – CACs) and on the International Standards on Auditing (ISA). § 37	ST	Implemented	**FA**
2	Recommendation 2 Hold quarterly meetings with the CACs during the transition phase to ensure their active involvement in the corrective actions implemented by the banks to improve the quality of their IFRS reporting. § 37	ST	Restart the process.	**ONG**
3	Recommendation 3 Formalize a strategic plan, approved by the BCC Governor, setting a deadline by which: (i) banks must fully comply with the BCC's requirements to submit IFRS financial statements; and (ii) the DSIF must be able to review and audit the financial statements submitted by banks pursuant to IFRS, without external assistance. § 13	ST	Pending	**NA** All of the following recommendations are related to the relaunch of the IFRS project.
4	Recommendation 4	ST	Pending	**NA**

[5] The filing of IFRS statements by all reporting banks and the ability of the BCC to review them without technical assistance would be significant progress in itself; but this has yet to be achieved. This mission had originally been scheduled for the fourth quarter of 2016, and was postponed to October 2017. It thus relaunches the multiyear project on the migration of banks to IFRS accounting standards, which was started in 2012 by Central AFRITAC, continued by GIZ (German Cooperation) for two years from 2014 to 2016, and then resumed by Central AFRITAC in 2016. The last mission spanned July 18–29, 2016, before being interrupted when the IMF suspended onsite missions for security reasons.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Restructure the IFRS Unit at the DSIF, by allocating appropriate resources and means, formalizing an internal procedure for its missions, specifying its terms of reference, setting precise objectives to be attained, and ensuring regular follow-up of its work and results at a high level of the BCC, with the active involvement of DSIF management and BCC senior management. § 13			
5	Recommendation 5 Develop the tools needed to analyze the quality of IFRS financial statements submitted by banks. § 36	MT	Pending	**NA**
6	Recommendation 6 Update the DSIF summary table showing the status of the IFRS project at the banks. § 36	ST	Pending	**NA**
7	Recommendation 7 Send letters reminding banks, audit committees, and CACs to fulfill their obligations to deliver IFRS financial statements. § 37	ST	To be relaunched	**NA**
8	Recommendation 8 Following expiry of the transition period established by the BCC, sanction banks that do not submit their financial statements pursuant to IFRS, or whose statements submitted in IFRS contain unacceptable quality defects. § 37	MT	Pending	**NA**
9	Recommendation 9 Schedule thematic audits of banks on IFRS implementation: documentary audits of statements by the IFRS Unit and onsite audits by Onsite Supervision Department. § 37	ST	To be relaunched	**NA**
10	Recommendation 10 Verify the effective existence of an IFRS technical unit in each bank required to issue IFRS financial statements.	ST	To be relaunched	**NA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Require reporting banks to re-establish their IFRS technical units to manage the migration to IFRS more effectively. § 32			
11	Recommendation 11 Organize regular bilateral meetings (once every six months) with the senior management of each reporting bank, to monitor progress made in their project to fully migrate their financial reporting to IFRS. § 37	MT	Pending	**NA**
12	Recommendation 12 Train DSIF supervisors on IFRS financial statement analysis focusing on the key IFRS. § 36	ST	To be studied	**NA**
13	Recommendation 13 Organize work sessions on the analysis of financial statements, with the IFRS Unit of the DSIF playing a of trainer-training role with the documentary and onsite auditors. § 36	MT	To be relaunched	**NA**
14	Recommendation 14 Organize a roundtable with the members of the banks' audit committees, to raise their awareness of key points relating to the quality of the financial statements under IFRS that they will need to be vigilant about when fulfilling their tasks. § 37	ST	To be relaunched	**NA**
15	Recommendation 15 Require each bank to conduct a study on the need to adapt its IT system to apply the IFRS modules (IAS 16, IFRS 9, IFRS 7, etc.), the results of which must be communicated to the BCC. § 32	ST	To be relaunched	**NA**
16	Recommendation 16 Require each bank to develop a specific action plan, containing clear stages and timelines, for appropriate	MT	To be relaunched as part of the project on all of the standards of this accounting framework	**NA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	implementation of IFRS 9, IFRS 7, IAS 24, and IAS 19, which should be communicated to the BCC. § 32			
17	Recommendation 17 Require each bank to appoint a financial and accounting manager with expertise in IFRS, and put in place a capacity building policy (training, recruitment). Failing that, require banks lacking expertise to be supported by an external consultant experienced in IFRS as soon as possible. § 32	ST	To be relaunched	**NA**
18	Recommendation 18 Require banks to plan and conduct training sessions for their staff and management at appropriate levels, to enhance ownership of the IFRS project and strengthen the integrity of the accounting process. The training sessions should target the following standards: IFRS 7, IAS 39/IFRS 9, IAS 19 and IAS 24. § 32	MT	To be relaunched	**NA**
19	Recommendation 19 Require registered CACs to train and strengthen their audit teams with partners and associates of proven IFRS expertise, and to justify their capabilities to the BCC. § 32	ST	To be relaunched	**NA**
20	Recommendation 20 Establish an action plan for the implementation of IFRS 9, approved by the BCC Governor, including amendment of Instruction 16 on the rules for the rating and provisioning of nonperforming loans. § 39–43	MT	To be studied separately from the IFRS project	**ONG** Preparation of an AFRITAC Centrale technical assistance in Q1 2022.
21	Recommendation 21 Organize a training session for banks on the use of analytical modules to apply IFRS 9. § 39–43	ST	To be relaunched	**NA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	FY 2018 - Review of BCC's prudential qualitative banking regulation (second mission) - Part II; February 12–23, 2018; 18MMA8502			
1	Propose amendments to the draft revised banking law currently under review since 2013, in respect of several articles that may not be consistent with the new provisions of the qualitative prudential instructions being revised with support from AFRITAC Central, which have been adapted to align with international standards. (see § 30) Authority in charge: BCC (and IMF if the BCC formally requests technical assistance)	May 2018	Implemented	**FA** Draft law introduced in December 2021.
1.1	In the context of Recommendation 1, propose including in the aforementioned banking law a definition of "director" (*dirigeant*) in accordance with international standards and the OHADA law, and compatible with the qualitative regulations of the BCC currently under review. This recommendation is a restatement of Recommendation 11 made in the July 2017 mission report. Its deadline has been extended from December 2017 to May 2018. (see § 31) Authority in charge: BCC	May 2018	Implemented	**FA** Draft law introduced in December 2021.
1.2	In the context of Recommendation 1, propose the addition of a new article in Title II, Chapter II of the draft banking law, to legally underpin the BCC's intervention in the event of the termination of the functions of the heads of sensitive functions previously approved. This recommendation is a restatement of Recommendation 12 made in the July 2017 mission report. Its deadline has been extended from December 2017 to May 2018.	May 2018	Implemented	**FA** Draft law introduced in December 2021.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Authority in charge: BCC			
1.3	In the context of Recommendation 1, propose that a provision on professional secrecy be included in the aforementioned draft banking law, specifying in particular that it cannot be enforced against the BCC. (see § 33) Authority in charge: BCC	May 2018	Implemented	**FA** Draft law introduced in December 2021.
1.4	In the context of Recommendation 1, propose inclusion in the aforementioned draft banking law of provisions relating to the sanctions applicable to statutory auditors and their deputies. Also propose clarification and specification of the function of "auxiliary of the BCC" conferred on the auditor by the BCC. (See § 34 to 36) Authority in charge: BCC	May 2018	Implemented	**FA** Draft law introduced in December 2021.
2	Definitively list the approvals that must be granted by the BCC to individuals involved in the administration, executive management, or responsibilities with sensitive functions of a credit institution, pursuant to the provisions of the BCC's revised Instruction 17. (see § 32) Authority in charge: BCC	May 2018	Implemented	**FA**
3	Finalize the glossary of common terms in the BCC's prudential regulations, and issue as an instruction to give it regulatory force. The instruction should include the batch of instructions 17, 18, 19, 21 and 22, to be finalized jointly. (see § 37) Authority in charge: BCC	June 2018	Implemented (definitions are included at the start of each instruction)	**FA**
4	Address the remaining prudential options that are outstanding at the conclusion of this technical assistance mission.	June 2018	Implemented	**FA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Obtain a formal opinion on the draft revised instructions from the BCC's Legal Affairs Department. (see § 38) Authority in charge: BCC			
5	Conduct a formal review of the quantitative prudential regulations (Instructions 14, 16 and 23), to harmonize the format and terminology used with those of the qualitative instructions currently under review. (see § 41) Authority in charge: BCC	Dec 2018	Implemented	**FA**
6	Include, in Instruction 23 on disciplinary powers, appropriate sanctions for breaches of the new regulatory requirements concerning internal control and risk management. This recommendation is a restatement of Recommendation 9 made in the July 2017 mission report. The deadline has been changed from December 2018 to September 2018. Authority in charge: BCC	Sep 2018	Implemented in 2021 (revision of Instruction 23)	**FA**
7	Critically review Instruction 17, which the DSIF project team has already been able to change from the version finalized in July 2017, to harmonize provisions in light of the guidance issued during this mission (e.g., harmonize the IT security organization provisions contained in Instructions 17 and 22). Authority in charge: BCC	May 2018	Implemented (new instruction issued in May 2019)	**FA**
	FY 2018—Training of junior BCC supervisors to risk-based supervision, internal control, and risk management; Nov 27–Dec 8, 2017; 17MMW3711			
1	Recommendation 1 (DSIF)	Q1 2018	Implemented	**FA**

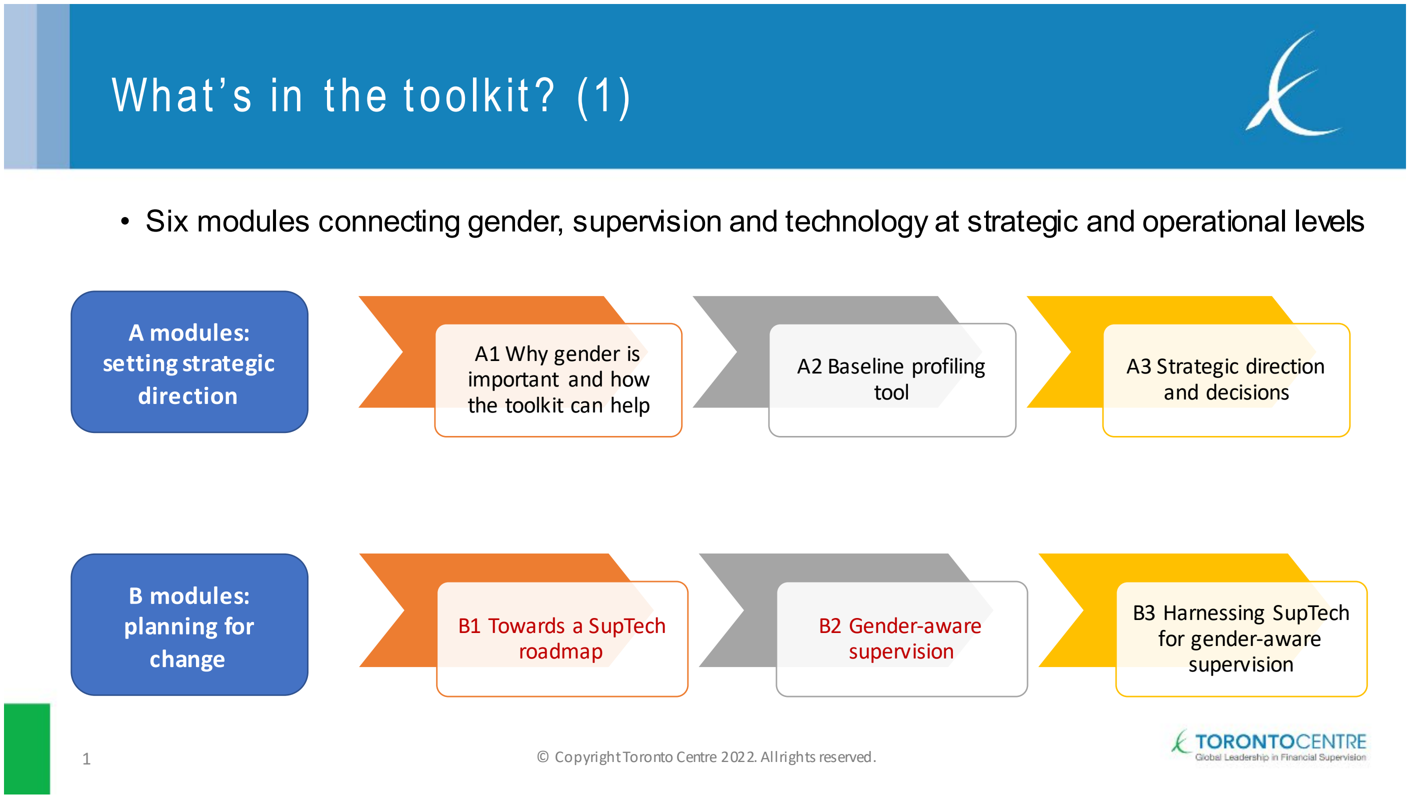
	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	Internally identify the initial and ongoing training needs of all bank supervisors under a standardized framework.			
2	Recommendation 2 (DSIF) Identify potential trainer-trainers among the most experienced DSIF supervisors.	Q1 2018	Pending with the Human Resources Department.	**ONG**
3	Recommendation 3 (BCC) Set up a crosscutting training function to cover initial and ongoing training needs on a recurring and structured basis. If possible, this should be done internally or, failing that, by seeking external resources specialized in training applied to banking supervision (World Bank, African Training Institute, International Banking and Finance Institute, FSI-Connect, etc.).	Q2 2018	Idem point 2	**ONG**
4	Recommendation 4 (DSIF) Develop a plan to provide training in the DSIF on the new regulations updated to align with best practices in risk-based supervision.	Q3 2018	To be relaunched	**ONG**
5	Recommendation 5 (DSIF + technical assistance) Carry out a mission to (i) adapt the CAMELS/ORAP rating instrument used to assess the risk profile of banks and to develop the format of the annual bank studies, with a view to updating the reference frameworks in accordance with the new regulatory texts; (ii) provide practical training for supervisors; and (iii) integrate the use of the revised tools into the risk-based supervision methodology.	Q2 2019	Partially implemented.	**PA** Point (i) achieved through implementation of the SYSNOB scoring tool.
	FY 2018—Review of prudential regulations relating to internal control and risk management; July 2017; 18MMW3711			
1	Provide for simultaneous publication of the five Instructions, Nos. 17 (Internal control), 18 (Approval of	Dec 2018	Implemented	**FA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
	institutions and directors), 19 (Rules on the auditing of credit institutions), 21 (Governance), and 22 (Risk management).			
2	Suspend the publication of Instructions 19 (Approval of statutory auditors) and 21 (Governance) and add their review to the work of the working group in charge of the regulatory review, to ensure the overall consistency of the qualitative prudential instructions.	Feb 2018	Implemented	**FA**
3	Start the process of promulgating the finalized draft instruction on business continuity planning without delay.	Sep 2017	Implemented	**FA**
4	Extract from Draft Instructions 17 (Internal control) and 22 (Risk management) the provisions concerning the control of outsourcing of essential activities and services, with a view to making them rapidly binding.	Dec 2017	Implemented	**FA**
5	Consider reinvigorating the regulatory function in the DSIF to ensure regulatory oversight. In the meantime, make the working group that is responsible for regulatory review permanent in the DSIF, to ensure the continuity, progress, and cohesion of the entire regulatory review process. Involve the BCC's Legal Affairs Department.	Sep 2017	Implemented. However, a decision was made to set up a "Studies and Regulations" entity within the DSIF dedicated to regulatory monitoring.	**FA**
6	Progressively complete the glossary of terms common to regulatory instructions.	Dec 2018	Implemented. Definitions are included at the start of each Instruction.	**FA**
7	Have the DSIF and the BCC Legal Affairs Department make a technical review of the documents produced during this mission, with a view to finalizing the drafting of Instructions 17 (Internal control) and 22 (Risk management), for the already revised part of the latter. Submit controversial points for decision by the BCC's top management, if necessary.	Feb 2018	Implemented	**FA**

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
8	At the request of the DSIF, seek an opinion from the BCC Legal Affairs Department on the proposed regulatory provisions that derogate from ordinary law (prior agreement of the BCC for the dismissal of auditors and suspension of payment for intra-group outsourced services in the event of difficulties).	Feb 2018	Implemented	**FA**
9	Include in Instruction 23 on disciplinary powers appropriate sanctions for breaches of the new regulatory requirements on internal control and risk management.	Dec 2018	Implemented	**FA**
10	Have the DSIF working group on regulatory review draft a revision of the regulatory provisions of Instruction 22 (Risk management), relating to financial risks (credit, foreign exchange/market, interest rate, liquidity, settlement/delivery).	Feb 2018	Implemented	**FA**
11	Amend Article 26 of the draft banking law to align the definition of senior officials / directors to be authorized by the BCC with the provisions of the new regulatory framework, particularly with respect to the licensing of officers, governance, and the role of managers and members of the governing body in internal control and risk management.	Sep 2017	Implemented	**FA** Draft law introduced in December 2021.
12	Include an article in Title II, Chapter II of the draft banking law to legally underpin the BCC's intervention upon the termination of the duties of authorized officials.	Sep 2017	Implemented	**FA** Draft law introduced in December 2021.
13	Include in Title III of the draft banking law an article that legally allows the BCC to suspend payment for intra-group outsourced services, where such payment would jeopardize the financial or prudential position of a reporting institution.	Sep 2017	Implemented	**FA** Draft law introduced in December 2021.

	Recommendations	Timeframe[2]	Status Implementation of the Recommendation	MCM comments (FA-Fully Implemented; PA-Partially Implemented; ONG-Ongoing; NA-Not Implemented
				Implemented in Instruction 44 amended in December 2021.
14	Critically review the draft banking law before its adoption by Parliament, to: (i) rationalize the organization and logical presentation of its provisions; (ii) identify possible needs for additional amendments on important issues outside the scope of this mission (e.g., resolution mechanisms).	Sep 2017	Implemented	**FA** Draft law introduced in December 2021.
	FY 2017—Banking Regulation and Supervision (LTX): Conference on regulation; 15MMT4538			
	Only an agenda in MTS, no accompanying documents or presentations			-
	FY 2017 - Banking Supervision and Regulations (LTX + STX); 15MMT4537			
	Training on accounting and transition towards IFRS - No Table of recommendations			**-**
	FY 2017 - Banking Supervision and Regulations (LTX + STX); 16MME3500			
	TA on IT risk and on site supervision - No Table of recommendations			**-**
Financial safety net, crisis preparedness, and management				
	FY 2016 - Banking Resolution (STX)			
	No recommendations (confidential report)			**-**

ANNEX 3. GENDER-AWARE SUPERVISION TOOLKIT AND BIBLIOGRAPHY (TORONTO CENTRE)



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