



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

GUINEA

Operationalization of the statutory special
resolution regime

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The report outlines the efforts of the International Monetary Fund (IMF) to assist the Central Bank of the Republic of Guinea (BCRG) in operationalizing a special resolution regime (SRR) for credit institutions. This initiative addresses the deficiencies in Guinea's financial safety net, which currently lacks a comprehensive resolution framework. The project involved enhancing staff capacity and developing resolution tools like partial sale and bridge institution. Key findings highlight the need for increased staffing and expertise, while recommendations focus on establishing a resolution function, drafting resolution plans, and ensuring that resolution tools will be supported by an adequate resolution funding mechanism. These measures aim to strengthen Guinea's financial stability and crisis management capabilities.

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Keywords: financial stability, crisis management, special resolution regime, financial safety net

The contents of this document constitute a high-level summary of technical advice provided by the staff of the International Monetary Fund (IMF) to the Central Bank of the Republic of Guinea (the "CD recipient") in response to their request for capacity development. Unless the CD recipient specifically objects within 30 business days of its transmittal, the IMF will publish this high-level summary on IMF.org (see [Staff Operational Guidance on the Dissemination of Capacity Development Information](#)).

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Background

At the request of the first deputy governor of the Central Bank of the Republic of Guinea (BCRG), a technical assistance (TA) mission from the Monetary and Capital Markets Department (MCM) worked with the BCRG Directorate of Bank Supervision (DSB) from July 16 to 23 and October 1 to 11, 2024, to assist the BCRG in operationalizing the special resolution regime (SRR) integrated into the draft banking law prepared following Fund staff's recommendations.

The technical assistance project was initiated to address the shortcomings in the country's financial safety net. The existing framework, limited to early intervention as part of banking supervision and a deposit guarantee fund, lacks a comprehensive resolution regime for credit institutions. The project aimed to operationalize an SRR as recommended by the IMF in its 2019 Financial Sector Stability Review (FSSR). This initiative is crucial for enhancing Guinea's financial stability, particularly in the context of a low-income developing country with a shallow financial sector dominated by foreign-controlled banks.

Summary of Findings

The TA found that Guinea's current financial safety net is inadequate to address potential bank failures, primarily due to the absence of a comprehensive SRR.

The TA also highlighted the need for increased staffing and expertise within the BCRG to operationalize the SRR effectively. The BCRG requires additional personnel trained in crisis management, bank resolution, and deposit insurance, to perform new and resource-intensive activities such as drafting resolution plans and conducting resolvability assessments.

Summary of Recommendations

Part I of the report recommends the resolution tools and powers that the BCRG should prioritize to operationalize the resolution regime, like partial sale and bridge institution. These tools should be supported by an adequate resolution funding mechanism. A funding mechanism with ex-post recovery of public costs from the financial sector is the most appropriate form given the current situation in Guinea. The report also discusses the implementation of the liquidation power to be established by the SRR.

Part II of the report recommends the establishment of a resolution function within the BCRG and discusses the procedures related to this function. The BCRG should establish a separate resolution function to focus on resolution activities and ensure seamless coordination with the supervisory function.

Part III of the report aims to support the BCRG's efforts in drafting resolution plans for credit institutions, including the process of assessing the resolvability of each credit institution. The mission invited the BCRG to start drafting individual resolution plans. In the long term, the BCRG should adjust the existing cooperation agreements in supervision to incorporate the crisis management and cross-border resolution dimensions or conclude specific cooperation agreements for cross-border resolution.