TECHNICAL ASSISTANCE REPORT

BURUNDI

Financial Sector Stability Review

March 2025

Prepared By

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FSSR
Financial Sector
Stability Review

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Glossary

BSA	Bank Supervision Application
COMESA	Common Market for Eastern and Southern Africa
DES	Directorate of Economic Research, Statistics, and Cooperation, BRB
DGRF	Deposit Guarantee and Resolution Fund
DSP	Directorate of Payment Systems, BRB
DSS	Directorate of Supervision and Financial Stability, BRB
EAC	East African Community
ELA	Emergency Liquidity Assistance
EMI	Electronic Money Institution
FSAP	Financial Sector Assessment Program
FSI	Financial Soundness Indicators
FSN	Financial Safety Net
FSR	Financial Stability Review
FSSR	Financial Sector Stability Review
FX	Foreign Exchange
IMF	International Monetary Fund
IT	Information Technology
KA	Key Attributes of Effective Resolution Regimes for Financial Institutions
LCR	Liquidity Coverage Ratio
MCM	Monetary and Capital Markets Department, IMF
MFI	Microfinance Institution
NSFR	Net Stable Funding Ratio
NPL	Nonperforming loan
PI	Payment Institution
SRR	Special Resolution Regime
SSA	Sub-Saharan Africa
STA	Statistics Department, IMF
TA	Technical assistance

Preface

In response to a request from the Bank of the Republic of Burundi (BRB), the Monetary and Capital Markets Department (MCM) of the International Monetary Fund (IMF) carried out a Financial Sector Stability Review (FSSR) mission from January 31 through February 13, 2024. The mission was led by David Blache (MCM) and included Sébastien Clanet (MCM), François Gomez, Peter Lohmus, and Martìn Saldìas (all external experts). Jocelyn Koussere (IMF African Department - AFR) participated as an observer. Ivan Guerra (MCM) provided research on the financial sector quantitative data. The IMF Statistics Department (STA) provided technical assistance to the BRB on the monetary statistics and financial soundness indicators (FSI) from January 11 through 24, 2023 and supplied Appendix 3 on the FSIs.

The FSSR performed a diagnostic assessment of the financial system oversight framework, reviewed progress in implementing the technical assistance (TA) recommendations of 2019–2024, and developed a draft Technical Assistance Roadmap (TARM) to improve financial system stability by strengthening the BRB's capacity.

The mission presented its main comments and recommendations at a close-out meeting on February 12, 2024, chaired by Governor Edouard Bigendako.

The mission expresses its gratitude to the staff of the BRB, in particular the Directorate of Supervision and Financial Stability (DSS) and the Directorate of Economic Research, Statistics, and Cooperation (DES). The mission also thanks the IMF representative office team, specifically Belyse Kwizera, Dieudonné Nyunguka, Eliane Nkengurutse, and Sydney Munezero.

Executive Summary

The Burundi banking system showed great resilience in response to several major shocks which it has faced in less than 10 years, namely: international sanctions after 2015, the Covid-19 pandemic in 2020–2021, and double-digit inflation in 2022 and 2023. At end-2022, all the banks except for two met the total solvency requirements set at 14.5 percent (including a capital conservation buffer of +2.5 percent). The banking system is very profitable and shows a very low level of nonperforming loans (NPLs) of 2.7 percent.[1] No bank has been placed in resolution or liquidation over the past 10 years.

Nevertheless, the Burundi banking system now faces several major and growing risks. The mission identified three main macro-financial vulnerabilities: (i) the difficulty of assessing credit quality following the boom in lending in 2021–2022, worsened by the non-adherence to the International Financial Reporting Standard 9 (IFRS9) and to the rules on credit risk from the Basel Committee on Banking Supervision (BCBS); (ii) the risk related to exchange rate depreciation; and (iii) the sovereign-banks nexus. Moreover, given the concentration of assets (large exposures) and liabilities (deposits), prudential rules and regulations ought to be more rigorously applied and such concentration should be given greater consideration in supervision and stress tests.

These growing risks call for strong actions by the BRB to maintain financial stability and justify the support proposed in the Technical Assistance Roadmap. It is recommended that the TA actions be prioritized based on a sequencing adapted to the staffing challenges faced by the BRB. The suggested sequencing comprises three stages: (i) initial training in the fundamentals (in progress in 2023–2024), then (ii) rebuilding banking supervision expertise, before (iii) returning to key regulatory reforms.

The high turnover of BRB staff, in particular among banking supervisors (80 percent in two years), is a major challenge. Only after having resolved this problem will the BRB be able to implement this report's recommendations effectively. The extreme turnover at all levels (experts, top management, managers) is the main reason why the BRB has not been able to follow previous TA recommendations on banking regulation and supervision.

The DSS has made progress in implementing the recommendation of the 2009 Financial Sector Assessment Program (FSAP) regarding regulatory and supervisory tools. The next step should be to fully embed the rating system in the bank supervision process to confirm the transition toward risk-based supervision. The early warning indicators and early intervention process need to be improved. Priority should be given to an accurate estimation of NPLs, through assessment actions supported by specialized TA. Heightened vigilance on credit quality is warranted through continued on-site inspections. Several previous TA missions (2020-2022) gave recommendations on modernizing the regulation on risk classification and calculation of provisions, and to comply with IFRS9. This regulation should now be adopted swiftly and specialized IFRS9 teams set up at the BRB and in the banks. The Technical Assistance Roadmap recommends a strict sequencing. Following the strengthening of expertise (stage (ii) of the suggested sequencing above), prudential regulations should be updated and a regulation/circular grouping together the relevant rules for related parties

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[1] Except as otherwise stated, the figures in this report are as at end-2022 and taken from the most recent reports of the BRB (2022). The BRB has not submitted FSIs to the IMF since 2018.

should be prepared. Over the longer term, actions should be carried out on operational risk and control of cyber and information technology (IT) risk.

The mission called for strengthening the prudential supervision and modernizing the prudential regulation for digital financial services, including payment institutions (PIs). In 2023, the BRB set up a Directorate of Payment Systems (DSP), which also supervises PIs in competition with the telecoms authority. PIs, including electronic money institutions (EMI), need appropriate prudential regulation.

Reforms are needed to strengthen the financial safety net (FSN). The first step should be a review of the banking law to assess the scope to establishing a statutory special resolution regime (SRR) aligned with international standards, adjusted to Burundi's needs. Although the BRB is, de facto, the resolution authority, it lacks capacity and a legal and operational framework for bank resolution. Recovery planning should be introduced into the SRR and applied step by step to all banks. The BRB has legislative powers that enable it to provide emergency liquidity assistance (ELA), but it would benefit from a more comprehensive framework. A BRB regulation creating the Deposit Guarantee and Resolution Fund (DGRF) was adopted in December 2023. The DGRF framework does not provide for its operational independence. The operating principles of the DGRF should be clarified and the establishment of the deposit guarantee system should go hand in hand with a significant improvement of supervisory practices.

The BRB has made progress in developing its analysis of systemic risks, but more work is needed. The BRB should strengthen its systemic risk analysis team and extend the depth of its systemic risk analysis framework through the following: (i) improving coverage of the sources of vulnerabilities, based on a comprehensive risk mapping; (ii) focusing efforts on the major risks; and (iii) collecting at least semiannually the results of these analyses in a financial stability dashboard. The Statistics Department of the IMF provided an Assessment of Financial Sector Statistics in Appendix 3.

Since 2017, the BRB has been undertaking annual top-down liquidity and credit risk stress tests and quarterly reverse credit risk stress tests. The stress test method is based on the IMF simulation tool. The current methodology should be updated to capture new vulnerabilities. The BRB should formalize a framework prioritizing the following aspects: (i) a governance structure with clear, documented roles and responsibilities for top management, for the DSS, and for the other key stakeholders; (ii) effective integration of the stress tests in the general assessment of systemic risk and to support supervisory activities; and (iii) a communication strategy that is embedded in the financial stability communication policy.

Recommendations

Table 1. Burundi: Main recommendations

Main Recommendations	Priority 1/	Timeframe 2/
Identify the causes of the extreme turnover of banking expert staff and propose measures to reduce it. (Summary, ¶21)	H	ST
Supervision and Regulation of the Financial Sector		
Use on-site inspections to ensure the reliability of the data on nonperforming loans (sampling approach, review of credit files, impact of credit restructurings). (¶33)	H	IM
Appoint specialized IFRS9 teams at the BRB and in the banks and adopt IFRS9 regulation (do not wait for the general amendment of the chart of accounts to take this step). Limit the number of credit restructurings authorized under the regulation. Bring prudential requirements for loan classification, provisioning, and restructuring in alignment with BCBS rules. (¶34)	H	ST
Operationalize risk-based supervision. (¶35) • Incorporate rating in the supervisory review process. • Strengthen the qualitative reporting required of banks. • Draw up an off-site supervision manual. • Update the on-site inspection manuals. • Establish early warning and early intervention indicators. Strengthen the staff assigned to on-site inspection.	H	ST/MT/LT
Monitor the procedures established by banks to comply with the new regulation on minimum capital and sanction delays. (¶30)	H	ST/MT/LT
Limit the exemptions on large exposures. Impose fines, sanctions, and corrective measures. (¶36)	H	ST
Prepare a specific regulation on transactions with related parties. (¶37)	MH	MT
Strengthen the monitoring of operational, IT and cyber risks by banks. (¶35)	M	LT
Continue to subject the public sector banks to the same regulation and supervision as the other banks (including the future bank resolution regime). (¶20)	M	LT
Nonbank Sector – payment services		
Strengthen the prudential supervision of PIs. (¶38)	H	ST
Modernize and complete the prudential regulation of PIs. (¶ 38)	M	MT
Crisis Management and Financial Safety Net		
Adopt a statutory special resolution regime incorporating missing elements for effective bank resolution, including a resolution funding mechanism. (¶ 42-43, 47)	H	ST
Require banks to start preparing recovery plans. (¶ 45)	H	MT

Main Recommendations	Priority 1/	Timeframe 2/
Align the framework for emergency liquidity assistance with international best practices. (¶50)	H	MT
Address conflicts of interest between BRB functions, e.g., by effectively separating the decision-making procedures related to bank resolution/deposit guarantee fund, bank supervision, and emergency liquidity. (¶44)	H	LT
Operationalize the new resolution framework, prioritizing transfer and liquidation tools. (¶43)	H	LT
Introduce resolution planning, starting with larger banks. (¶46)	M	LT
Review and strengthen cross-border agreements with home countries of the foreign banks established in Burundi (integrating recovery and resolution planning). (¶48)	M	LT
Revise and enhance the legislation for the deposit guarantee fund. (¶51-52)	M	LT
Systemic Risk		
Strengthen the systemic risk analysis framework by reviewing the methodologies and improving the reliability of the primary data. (¶62-63)	H	ST
Develop a dashboard to present the results of the systemic risk analyses and disseminate it quarterly for discussion at the Technical Financial Stability Committee and the Internal Financial Stability Committee. (¶62)	MH	MT
Set up an effective credit register. (¶60)	H	MT
Start the work of the National Financial Stability Coordination Committee. (¶54)	H	MT
Stress Tests		
Review the current methodology, notably to address vulnerabilities in FX, sovereign, and concentration risks, including specific scenarios for each of these risks. (¶77)	H	ST
Strengthen BRB staff capacity to operate, revise and expand the stress testing framework. (¶78)	H	ST
Modernize the top-down stress testing framework, including its governance, its integration with supervision, and the dissemination of results. (¶76)	H	MT

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 to 24 months); Long term (LT: 24 to 48 months)

I. Introduction

A. Scope of work

1. **A Financial Sector Stability Review mission was conducted from January 31 through February 13, 2024 with the BRB.** The FSSR aims to provide a diagnostic assessment of the financial sector oversight framework, based on which a program of technical assistance can be developed and delivered to improve the stability of the financial sector, by enhancing the capacity, analytical tools, and methods of the financial sector supervisors. The Statistics Department performed an assessment of the FSIs (Appendix 3). The FSAP recommendations of 2009 are obsolete.

2. **The scoping mission held in November 2023 agreed with the BRB that the FSSR would cover the following areas:** (i) financial sector regulation and supervision; (ii) crisis management and the financial safety net; (iii) systemic risk; and (iv) bank stress tests.

3. **The diagnostic assessment carried out in each area was guided by international standards and best practice.**[1] The FSSR diagnostic was based on the following official BRB documents:

- Annual report on supervision of financial institutions (2021 and 2022);
- Annual financial stability report (2021 and 2022); and
- Regulations/circulars on the BRB website.

4. **The report is structured as follows.** Part I presents the financial system (I.B), its main macrofinancial vulnerabilities (I.C), and assesses progress in implementing the previous TA recommendations (I.D). Part II provides the main comments and recommendations for each of the four areas covered. Part III and Appendix 1 present a draft Technical Assistance Roadmap (TARM).

B. Financial System Structure and Financial Stability Background

5. **The Burundi financial system is shallow and largely dominated by banks.** At end-2022 the banking system comprised 15 credit institutions: 14 banks and 1 financial institution owned by the government (Banque Nationale de Développement Economique, only receives deposits with a maturity of over 1 year, which must be used to finance development). The government is a major stakeholder with holdings in several commercial banks and three new public sector banks have been authorized to operate targeting specific categories (housing, women, and young people[2]). The microfinance sector (MFI) comprises 145 organizations (46 cooperatives, 23 microfinance limited companies, and 76 community financial groupings).[3] The PIs are growing, with 14 licensed PIs, including 4 electronic money institutions. The 17 insurance companies comprise 6 life insurance companies, 10 non-life, and 1 mixed insurance company. The data on provident societies and

[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).

[2] «Banque d'investissement pour les jeunes» (Investment Bank for Young People).

[3] Only some of the MFIs submit data to the BRB (35 in Table 2).

pension funds is not published. The banking law authorizes the Post Office ('Régie Nationale des Postes') to carry out banking intermediation (total deposits US$9 million), in accordance with a regulation to be issued, which will subject its activities "to supervision as a bank and/or microfinance institution." The banks hold 82 percent of total financial assets, the microfinance institutions hold 12.1 percent, and the insurance companies hold 3.6 percent (see Table 2). The largest bank holds 25 percent of bank deposits, the following four banks hold almost 50 percent. The banks have no subsidiaries.

Table 2. Burundi: Structure of the financial system (at end-2022)

Structure of the financial system (in millions of Burundi francs - BIF)

	Assets	Number of organizations	Percentage of deposit-taking institutions	Percentage of the financial system
Deposit-taking institutions	**7,034,442**	**49**	**100.0%**	**94.45%**
Banks	6,132,206	14	87.2%	82.3%
Banks under local control	3,644,669	9	51.8%	48.9%
Public sector	549,676	3	7.8%	7.4%
Banks under private control	3,094,993	6	44.0%	41.6%
Banks under foreign control	2,487,537	5	35.4%	33.4%
Islamic banks	0	0	0.0%	0.0%
Microfinance institutions	902,236	35	12.8%	12.1%
Non deposit-taking institutions	**413,065**	**64**		**5.5%**
Insurance companies	267,339	17		3.6%
Life insurance	35,712	6		0.5%
Non-life insurance	74,396	10		1.0%
Mixed insurance companies	157,231	1		2.1%
Other financial intermediaries (Banque Nationale de Développement Economique - BNDE)	145,725	1		2.0%
Others	0	46		0.0%
Insurance intermediaries	0	32		0.0%
Payment institutions	0	14		0.0%
Total financial sector	**7,447,506**	**113**		**100.0%**

Source: Bank of the Republic of Burundi
NB: Régie Nationale des Postes is not included in BRB datasets.

6. **The Burundi banking system operates in a difficult macroeconomic background with underdeveloped banking and financial infrastructures.** The economy has been subject to several major shocks over the last 10 years, namely: international sanctions after 2015, Covid-19 pandemic in 2020–2021, and double-digit inflation in 2022 and 2023 (Table 3). The banking and financial infrastructures are underdeveloped: there is no credit register in place, a private bond market does not exist, and a stock exchange project has just been initiated. A law on credit bureaus was adopted but has never been promulgated. The identification of borrowers is complicated (a digital banking identifier project is underway). The World Bank is currently supporting a program on credit infrastructures (a modern credit register, support to the establishment of a private-sector credit bureau, implementation of a register of movable collateral), on developing a national payments strategy, and on providing assistance for a national risk assessment with regard to international AML/CFT standards.

Table 3. Burundi: Selected Economic Indicators

Burundi: Selected Economic Indicators
(Annual percentage change)

	2020	2021	2022	2023 Proj.
Nominal GDP (In millions USD) 1/	3,086.4	3,350.8	3,917.4	4,216.0
Real GDP 1/	0.3	3.1	1.8	2.7
CPI (period average)	7.3	8.3	18.9	27.0
Broad Money (M2)	25.4	22.4	36.1	35.9
Primary balance	-3.1	-4.7	-4.2	-7.0
Overall balance	-6.0	-7.6	-7.0	-9.1
Current account balance (incl. budget support)	-9.7	-11.6	-16.2	-13.3

1/ Nominal and real GDP are estimates for 2020, 2021 and 2022
Sources: Burundi authorities; and IMF staff estimates.

7. **The banking system has high levels of capital (Appendix 3, FSI), yet several factors suggest that risks are underestimated.** Compared with a total capital requirement ratio of 14.5 percent, including a capital conservation buffer of +2.5 percent, the banking system has an average capital level of 19 percent, which is down from 23 percent at end-2021. This reduction is due to an increase in risk-weighted assets of 44 percent between end-2021 and end-2022, following a boom in lending subsidized by the BRB. Lending grew at an exceptional rate to reach 35.3 percent of GDP at end-2022, compared with 20.7 percent at end-2020, due to the BRB special refinancing of bank credits to the "priority sectors." The mission obtained credible information that this exceptional growth led to a deterioration in underwriting standards and a worsening of average credit quality, which may not be visible at this point. Those include: a relaxation in the assessment by the banks of credits refinanced by the BRB, a rise in disputes between borrowers and banks following the refusal by the BRB to renew a large part of the subsidized credits, repeated restructuring (evergreening) encouraged by the regulations which allow banks to restructure a credit up to three times without validation by the BRB. The extreme turnover among supervisory staff has reduced the number of on-site inspections and limited the BRB's capacity to check the reliability of the banks' NPL practices and reports.

8. **The banking system has been highly profitable in recent years.** However, this profitability (return on equity of 29 percent) was boosted by relatively low and falling provisioning of loans. New elements are depressing effective profitability, now and in the near future, namely: a specific tax of 8 percent on banks since 2023, which is on top of a corporate income tax of 30 percent; and deposit guarantee contributions from 2025 onward. The BRB requires allocation of 65 percent of earnings to reserves before any dividend payments.

9. **The business environment is not supportive of strong banks.** A difficult business environment with uncertain application of the rule of law, in particular for enforcement of contracts and sale of assets held as collateral by the banks, structurally increases operating costs and the cost of risk. The lack of diversification of the economy limits risk diversification and the very low rate of bank penetration (17 percent) limits the potential demand for financial services and the economies of scale for the banks.

10. **The aggregate liquidity ratio masks large differences among banks, with one systemic bank breaching the FX liquidity requirements.** Foreign currency loans remain restricted due to capital controls (about 10 percent of total bank loans). In 2018, the BRB adopted the liquidity

coverage ratio (LCR), which is easily met in local currency due to the very high exposure of the banks to sovereign debt.

C. Macrofinancial Vulnerabilities

11. **The mission identified three main macrofinancial vulnerabilities**: (i) increased credit risk following the rapid boom in lending in 2021–2022 against the backdrop of inadequate recognition of NPLs and lax underwriting and provisioning standards; (ii) FX risks; and (iii) the sovereign-banks nexus. These risks are amplified by high concentrations of assets (large exposures) and liabilities (deposits), which are not properly monitored and controlled.

12. **The recent rapid expansion of credit in Burundi raises financial stability concerns (Figure 1).** While credit growth may contribute to financial deepening and economic development, a rapid increase in lending against the backdrop of weak underwriting standards by banks and inadequate regulation and supervision can lead to excessive accumulation of risks. The economic literature finds that systemic banking crises are usually preceded by a rapid growth in credit relative to GDP, and this holds true across different levels of financial development.[4] Recent literature has confirmed that this signaling effect also applies to low income countries.[5] This is particularly

Figure 1. Burundi: Boom in lending

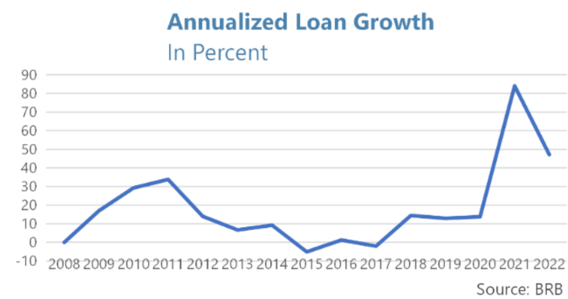
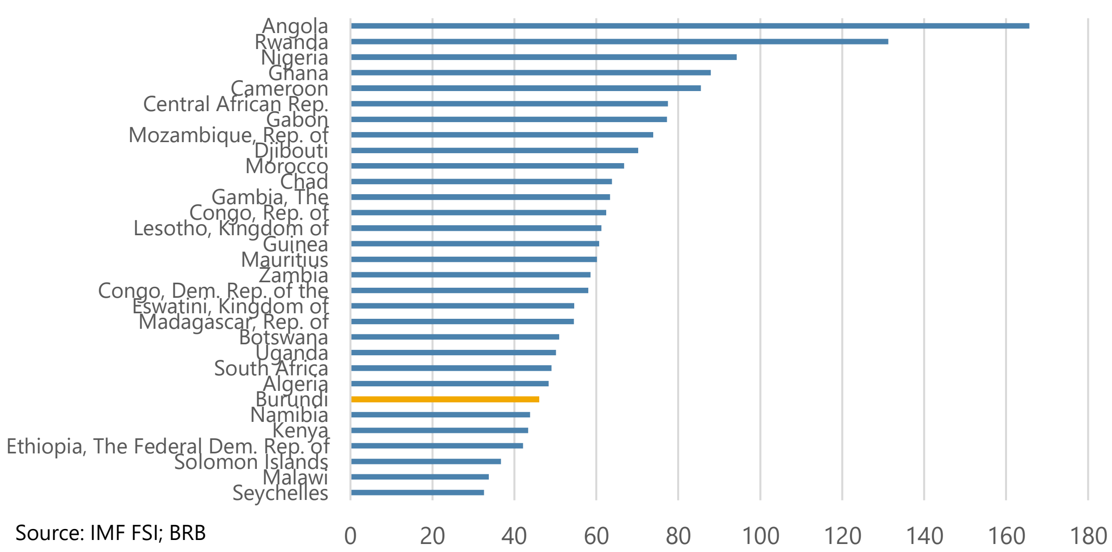


Figure 2. Burundi: NPL provisioning rates (in percent of NPLs)



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[4] IMF, [Staff Guidance Note on Macroprudential Policy (imf.org)]

[5] IMF, [Policy Paper: Staff Guidance Note on Macroprudential Policy—Considerations for Low Income Countries; November 6, 2014]

concerning in Burundi given that the provisioning of NPLs is relatively low and falling and credit risk is likely underestimated given inadequate recognition of NPLs (see Figure 2 and FSI in Appendix 3).

13. **Supervision of credit risk justifiably takes up a significant part of the BRB's on-site supervisory efforts and needs to be reinforced.** Credit risk remains the main risk to which Burundi's credit institutions are exposed and the main source of losses that they may incur. The ongoing on-site credit risk inspection campaign is a welcome measure but needs to go hand-in-hand with a stricter recognition of credit risk (in line with IFRS9 and BCBS standards), adequate provisioning, as well as other measures aimed at adequately mitigating risks to individual institutions and financial stability.

14. **A second macrofinancial vulnerability is related to exchange rate changes.** The BRB intends to transition to inflation targeting and a fully floating exchange rate within the East African Community's (EAC) monetary union system planned for 2031.[6] The BRB started liberalizing the foreign exchange market in 2022. An interbank foreign exchange market started operations on May 4, 2023, but transactions remain small. The premium on the BIF/US$ parallel market rose to 61.6 percent at end-October 2023, compared with 42 percent on May 4, 2023, after a nominal devaluation of 38 percent. Official reserves fell to 0.5 month of imports at end-September 2023, after the payment of the first tranche of the IMF's Extended Credit Facility. The banks state that they suffered significant losses in 2023 following the devaluation, in the range of BIF 38 billion (compared to total profits of BIF 150 billion in 2022), concentrated on a few banks that held short FX positions. The full impact of the recent devaluation can be better assessed once the 2023 audited accounts will be issued.

15. **The mission suggested to the BRB to improve the tools and internal governance to assess the impact of FX exposures on the banking system.** The BRB currently only uses the LCR in FX and the market risk to address the vulnerabilities associated with the FX risk. Work has recently started on stress tests related to FX risk but the published stress tests do not cover this risk. BRB estimates produced before the May 2023 devaluation did not expect major effects from a devaluation and several departments worked on FX risk impact assessments without communicating with each other. In Part II of this report the mission proposes measures to improve the consistency between the systemic risks identified and the associated stress tests.

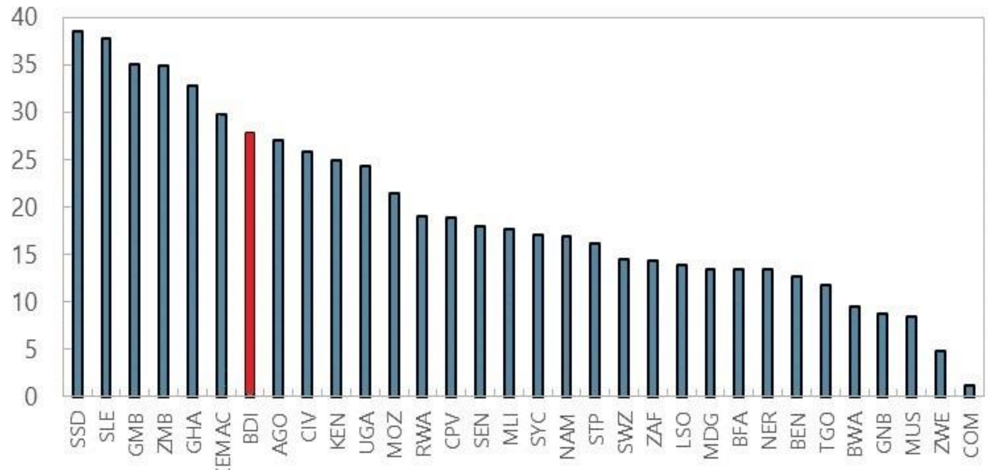
16. **The sovereign-bank nexus is among the highest in sub-Saharan Africa (SSA) and continues to grow.** The Debt Sustainability Analysis published in July 2023 indicates that the commercial banks hold one third of total public debt, representing 22.8 percent of GDP.[7] Another third is held by the BRB (22.3 percent of GDP) and the remainder is held by nonresidents (19.9 percent of GDP). This reflects the increase in central government debt following the political crisis of 2015, which led to the suspension of budgetary support by United Nations agencies (donors' budgetary support represented about half of Burundi's budget). Public debt is estimated at 67.9 percent of GDP at end-2022. The BRB created a secondary market for public debt in 2018 as well as a central securities depositary for negotiable public debt instruments (with maturities of 13 weeks to 10 years). In total, there are 270 investors in debt securities. Banks may pledge public debt instruments to receive liquidity from the BRB via standing facilities.

[6] This FSSR does not cover monetary or exchange rate policy. For a detailed discussion of monetary policy and the issues relating to the exchange rate unification project, see *IMF Country Report No. 23/270, Staff Report on Request for a 38-month arrangement under the ECF.*

[7] https://www.imf.org/en/Publications/CR/Issues/2023/07/21/Burundi-Request-for-a-38-Month-Arrangement-under-the-Extended-Credit-Facility-Press-Release-536810

Figure 3: Burundi: Bank's exposures to the central government

(Sub-Saharan Africa comparisons, share of banks' assets, all forms of lending, end 2022)



Source: IMF staff, Dehmej in "Bank-Sovereign Nexus in CEMAC", IMF Country Report No. 23/245 (2023)

17. **Improving data quality of banks' holdings of government debt is needed to assess the risks arising from possible sovereign distress.** Current international standards do not require banks to publish their exposure, even when significant, to sovereign issuers, but the BRB may consider an obligation on banks to publish their sovereign exposures.[8] Market discipline cannot really function unless banks are subject to disclosure requirements. Bank stress tests could be expanded to include risks linked to significant sovereign exposures, taking into account the various channels of impact of this relationship.[9] A stress test carried out by the IMF in 2022 shows that the sub-Saharan banking systems have relatively greater vulnerability to sovereign-related stress.[10]

18. **When macroeconomic stability is restored, the authorities could consider measures to reduce incentives to excessive holdings of public debt.** Several options have been discussed internationally in the aftermath of the global financial crisis, including the establishment of nonzero capital requirements for banks' sovereign exposures. So far, however, no consensus has been reached to make any changes to the regulatory capital treatment of risks from sovereign exposures, but that does not prevent the authorities from imposing such requirements. Capital surcharges on bank holdings of domestic sovereign bonds above certain thresholds are a flexible instrument that may limit concentration risk if they are well calibrated.[11] Even in the absence of regulatory limits ("Pillar 1"), risk-based supervision enables the supervisor to impose individual "Pillar 2" requirements if a bank's business model becomes too dependent on sovereign exposures, thereby creating a high risk.

19. **The investor base should be broadened to strengthen market resilience.** Developing domestic debt markets is a complex process that requires multiple and interdependent policy actions.[12] The lack of diversity of investors may lead to volatility on the public debt market in the event

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[8] Basel Committee on Banking Supervision, 2021. "Voluntary Disclosure of Sovereign Exposures".

[9] IMF, *Global Financial Stability Report (GFSR),* April 2022, Ch. 2, "The sovereign-bank nexus in emerging markets: A risky embrace", p. 60.

[10] Ibid, pp. 50-51.

[11] For examples of recent IMF advice in FSAPs, see South Africa (2022) and WAEMU (2022).

[12] IMF, *Guidance Note For Developing Government Local Currency Bond Markets,* (2021).

of abrupt changes in investors' risk appetite. While domestic banks usually play a major role in developing economies both as investors in government bonds and as intermediaries for government bond trading, a highly concentrated banking sector can undermine banks' incentives to trade and can impede market liquidity. A more developed investor base should be diversified to nonbanks with varied risk appetites and investment horizons, in particular institutional investors; this would enable the government to improve the spread of risk for debt portfolios and extend the yield curve. That also reduces the sovereign-bank nexus.

20. **Public sector banks are another important dimension of the sovereign-bank nexus.** Effective governance, regulation, and supervision are necessary to ensure that public banks are safe and sound while achieving their public policy objectives.[13] Mitigating the risks to financial stability arising from public sector banks means that it is necessary to avoid regulatory differences between public sector banks and those with private sector shareholders. The mission found no regulatory discrimination in this regard among the banks in Burundi. A Governance Diagnostic assessment will be carried out by Fund staff in 2024 and will notably cover relevant aspects related to state ownership and governance in the financial system.

D. Previous Technical Assistance

21. **Progress in implementing the TA recommendations on financial stability has been low (see Appendix 2).** This can be explained by the very high turnover of staff, top managers, and managers at the BRB. The TA provided by AFRITAC Central (AFC) enabled the BRB to carry out a package of regulatory reforms in 2018 with 14 regulations adopted following the adoption of the new banking law in 2017. The BRB subsequently suffered very high turnover of its staff (80 percent turnover of bank supervisors in two years), frequent changes in top management (three different governors between 2022 and 2024), and all the managers of the DSS changed in 2022 after the appointment of the governor. This extreme rate of turnover led to very weak implementation of the TA recommendations from 2019 onward. One example is risk-based bank supervision: individual rating of the banks was only put in place in January 2024 - and only partially - despite TA activities since 2019. Another consequence of this turnover is that a significant part of several TA activities has consisted of training BRB staff.

22. **Going forward, it will be important to prioritize the TA recommendations.** The suggested sequencing comprises three stages: (i) initial training in the fundamentals (in progress with AFC in 2023–2024), then (ii) rebuilding banking supervision expertise, before (iii) returning to the key regulatory reforms. This attention to establishing priority actions guided the sequencing of the TA proposals contained in the TARM (see Appendix 1).

[13] For more details, see IMF, *Regulating, Supervising, and Handling Distress in Public Banks* (2022).

II. Diagnostics of the review and recommendations

A. Supervision and Regulation of the Financial Sector

Diagnostics

23. **The banking law of 2017 upgraded the regulatory framework for banking supervision.** The main BRB circulars related to prudential supervision were updated in 2018, which brings the regulatory framework closer to Basel III. However, gaps persist in the areas of capital,[14] credit categories,[15] and bank governance,[16] despite several previous AFC TA missions recommendations.

24. **The implementation of risk-based banking supervision has been delayed by the turnover of staff.** Of the 26 officers allocated to the Credit Institutions Division as at January 1, 2024, 16 have been in post for less than 2 years. The departure of experienced officers, often to join banks, makes it hard to build a banking supervision culture based on sharing experience and to maintain specialized skills. Only six officers out of the 26 in the Division are in charge of on-site inspections.

25. **The BRB has the basic tools to implement risk-based supervision.** With the support of AFC, the BRB has developed a bank rating system (SEPREC, Système d'Evaluation du Profil de Risque des Etablissements de Crédit), based on international best practice. At the time of the mission, the first rating exercise covering all banks was being finalized (writing of the scorecards to be completed). However, the template for the report on internal control that the banks must submit to the BRB yearly does not include the developments contained in Circular 23/2018 on risk management. The suggestions put forward by AFC in 2019 have not been considered. These annual reports do not contain the information to enable the supervisors to respond to the questionnaires on the implementation of prudential regulations and the standards and good practices relating to risk management in SEPREC (the rating exercise pointed out a significant rate of responses "Do not know the answer"). SEPREC is not adjusted regularly to integrate the risks actually faced by credit institutions: it is not automatically provided with data from the Bank Supervision Application (BSA) and it does not incorporate AML/CFT requirements (regulation of March 2023).

26. **The BRB has not yet applied IFRS9 with regard to the classification and provisioning of loans.** Loan classification in Burundi is based on five categories according to the ability to repay, the existence of overdue debts, and their age. A minimum flat-rate provisioning ratio is applied to each of these five categories (from 1 percent, after deduction of collateral, for performing loans, to 100 percent for impaired loans, those with payments overdue for more than one year). Several AFC TA missions in 2020-2022 prepared an update of Circular 12 on loan classification and calculation of provisions to bring it into line with IFRS9. These TA also drafted proposals to integrate the BCBS rules on loan classification, provisioning, and restructuring.

[14] "Investment reserves" ought to have been deducted from regulatory capital.

[15] The definition of credit categories does not comply with the BCBS criteria, in particular with regard to the 90 days past due (DPD) criterion; warning against total freedom granted to banks to restructure a credit three times.

[16] Noncompliance with the Basel Core Principles (BCPs) relating to credits on favorable terms granted during the period of office of a general manager or member of the board of directors.

27. **The assessment of credit portfolio quality is undermined by weaknesses in the recording of NPLs.** The NPL ratio is extremely low (2.7 percent at end-2022). The ratio fell from 2020 to 2022 while total credits rose by 117 percent. The improvement in the NPL ratio may only be temporary as the credits granted in 2021 and 2022 are likely to generate significant past due amounts once they mature. This low NPL ratio could be explained by the loan restructuring facilities that the current regulatory framework grants to banks, in contradiction with international standards (three restructurings are allowed for each loan and the loan may be returned to "performing" status after only 90 days of meeting the new obligations).

28. **The quantitative norms on solvency apply some of the Basel standards.** The solvency ratio is set at a minimum of 12 percent (8.5 percent for "Common Equity Tier 1 ratio" (CET1)). The banks are not authorized to use internal models and the calculation of credit risk-weighted assets largely follows the Basel I standards. The requirements relating to market risk (calculated on the basis of FX risk) and operational risk (calculated using the "Basic Indicator Approach") are only multiplied by 8.33 for their inclusion in the denominator of the ratio and not by 12.5. The capital conservation buffer was activated (+2.5 percent), bringing the total capital requirement ratio to 14.5 percent. At end-December 2023, two banks failed to meet this minimum.[17] The implementation of the other buffers was postponed. The BRB applied the BCBS methodology to determine that five banks were of major systemic importance and five others of medium systemic importance, but it did not communicate on this classification and did not impose any additional capital requirement in this regard. The leverage ratio was set at 5 percent and all the credit institutions were complying at end-2022.

29. **A circular published at end-2023 increased the banks' minimum capital from BIF 10 billion to BIF 50 billion (and increased financial institutions' minimum capital from BIF 6 to BIF 30 billion).** For the existing institutions this increase may be executed in stages (for the banks BIF 30 billion at end-2025, BIF 40 billion at end-2027, and BIF 50 billion at end-2029). As at end-2022, four banks had CET1 capital greater than BIF 50 billion, but seven had less than BIF 30 billion; the CET1 capital of the single financial institution was below BIF 30 billion. When a regulator decides to increase the minimum capital requirement, four issues should be considered, namely: (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 Burundi; (iii) the credibility of the exercise is stronger with a well-functioning bank resolution framework in place, in case some banks were to fail to meet the target; (iv) the minimum capital requirement is not a substitute for effective supervision and solvency requirements. Credit institutions that are undercapitalized compared with the new standard should submit credible capital restoration plans, and their execution should be monitored periodically by the DSS.

30. **Regulations on large exposures are weakened by multiple exemptions.** The large exposure regime follows the quantitative requirements of the BCBS, as recommended by AFC in 2018, but not the BCBS requirements on exemptions, and the BRB grants exemptions on a wide range and regular basis. At end-2022, seven banks had 17 exposures greater than 25 percent of their capital. As of September 30, 2023, the BRB had granted exemptions to six banks for 15 exposures (for one bank, a single exposure represents over 500 percent of CET1 capital) and out of the 15 cases listed that exceeded the limit, nine already existed at end-2022; moreover, six of these had increased over the first nine months of 2023. Concentration of the banks' liabilities is another significant risk: on average the ten largest depositors supply nearly half or more of bank funding.

[17] These two banks were already in breach of this requirement at end-2021; their ratio declined further in 2022.

31. **The BRB has incorporated liquidity ratios based on Basel III.** The LCR was introduced in 2018. Due to the weight of government securities considered as High-Quality Liquid Assets in the banks' portfolio, the ratio in local currency was met by all of the banks at end-2022 and the average ratio was 170 percent. While the average ratio in foreign currency is also high (161 percent at end-2022), one systemic bank failed to meet the target. The Net Stable Funding Ratio (NSFR) will replace the current ratio of stable funding of credit institutions. It is expected to be adopted in the first quarter of 2024.

32. **Prudential requirements relating to control of IT risk at credit institutions are covered by the operational risk in the circular on risk management.** They set forth good practice with regard to managing this risk and the requirements to establish a business continuity plan. By contrast, credit institutions are not required to declare to the BRB any operational incident which may undermine their prudential position, their business continuity, or the functioning of the banking system. A methodological guide covering IT risk to be reviewed during on-site inspection was drawn up with AFC in 2018.

Recommendations

33. **Priority should be given to producing an accurate estimate of NPLs, supported by specialized TA.** On-site inspections to review credit portfolios should be conducted swiftly in all the banks. Their objective should be to verify the ways in which (i) loan restructuring facilities are used and (ii) the banks meet the classification criteria laid down by the BRB. This will allow to assess accurately the expected losses on banks' capital. TA should be provided to the DSS to help in preparing and monitoring these missions (selecting loans to be reviewed, guiding analysis, and formalizing feedback processes). An external assessment of credit quality (potentially targeted) carried out by an independent third-party (asset quality review) could also be contemplated.

34. **The BRB should swiftly adopt the circular on IFRS9 once specialized IFRS9 teams have been set up at the BRB and in the banks.** It should also include prudential requirements for loan classification, provisioning, and restructuring in alignment with BCBS rules.

35. **The DSS should make decisive progress towards adopting risk-based supervision, and:**

- **Fully integrate SEPREC into the process of ongoing supervision.** Ratings will determine the supervisory actions to implement and should be integrated in the supervisory review process (SRP) as part of the introduction of the "Pillar 2" of Basel II/III. The BRB should establish an early intervention mechanism for institutions that show first signs of weakness and incorporate recovery plans in the BRB's early intervention framework. These elements should be integrated in an off-site supervision manual, already recommended by previous TA, and which would enable new recruits to learn faster the skills and processes of off-site supervision. The DSS should enhance its qualitative reporting on the risk management systems of credit institutions.
- **Strengthen the on-site inspection function.** On-site inspection staff should be increased. On-site inspection manuals should be updated to reflect progress towards risk-based supervision and facilitate the training of new recruits. An update of the guide and the publication of guidelines setting forth in detail for the banks the BRB expectations regarding the control of operational risk and IT risk should be planned.
- **Monitor other liquidity tools, in addition to the LCR, including in relation to maturity gaps and cash flow analysis, and conduct sensitivity analyses and stress tests.** These could

usefully complement the LCR including for liquidity in FX and for assessing the impact of the large deposit concentration.

- **After the BRB rebuilds banking supervision expertise, it should resume the adoption of the key prudential regulatory reforms.** In particular the updating of the 2018 prudential regulations on governance of banks, risk management, composition of capital, large exposures, licensing, and the adoption of the prudential regime for the Post Office ('Régie des Postes'), should await for the strengthening of banking supervision expertise.

36. **The BRB should forcefully enforce the regulation on large exposures.** Banks holding large exposures should be forced to share those risks among themselves as such risk-sharing is explicitly provided for in the regulation. Any exemptions should be exceptional, based on clear and transparent criteria, time-limited, and subject to appropriate supervisory reporting and monitoring. If the situation is not normalized within the allotted periods, the BRB should systematically take supervisory actions, including fines, sanctions, and corrective measures.

37. **All the rules applicable to transactions of banks with their related parties should be consolidated.** Transactions between banks and related parties are covered in various texts (banking law and circulars). This fragmentation means that it is not possible to ensure that the banks fully take on all the criteria for sound management of this risk (for example, nothing prevents transactions with related parties from being subject to more favorable conditions than those with unrelated parties) and inconsistencies are found between one text and another (for example, the definition of related parties). The risk linked to transactions with related parties (shareholders and senior management, as well as individuals or legal entities that are related to them) is not merely a theoretical risk in Burundi. The preparation of a specific circular will also enable the criteria of Point 20 of the BCPs, which are not yet incorporated in the various texts, to be included.

Nonbank Sector – PIs

38. **PIs need appropriate prudential regulation and supervision.** A Directorate of Payment Systems (DSP) was set up in 2023. It is tasked with the supervision (prudential and consumer-related) of PIs, as well as supervision of the banks' digital financial services and consumer-related aspects, overlapping with the work of the telecom authority. Prudential supervision of payment service providers should be strengthened through the reinforcement of the expertise in on-site inspection and the establishment of appropriate indicators to enable the preparation of a dashboard of their activity. Prudential regulation should be modernized to implement the 2018 law on payments. A tax dispute in 2023 led to seizure of the accounts of one of the major electronic money institutions (the two main EMIs represent 99 percent of the market), also affecting the trust accounts for customer funds at the banks, which led to a run of EMI customers. The EMI benefited from financial support from the group to resume its activities, but the dispute is still in progress. The World Bank helped to draft the 2018 law on payments and is supporting the BRB on developing a national payments strategy but it has no projects on prudential supervision and regulation of PI.

B. Crisis Management and Financial Safety Net

Diagnostics

39. **The mission identified several areas requiring attention for sequential and proportionate implementation of a comprehensive FSN.** Establishing an effective FSN is a lengthy process, requiring significant human resources and specialized expertise. The goal is to build an FSN which is proportionate to the size, structure, and complexity of Burundi's banking system, and to the

capacity (including expertise, governance, and independence) of its authorities. The work program should start with an analysis of the existing legal framework for the prevention and resolution of banking crises, with the objective of instituting recovery and resolution planning, strengthening resolution tools and formalizing resolution funding, addressing the status of foreign banks, and strengthening ELA.

40. **Although the BRB is, de facto, the resolution authority in Burundi, it lacks sufficient capacity and a supportive legal and operational framework to carry out bank resolution.** The crisis management and bank resolution frameworks in Burundi are laid out in the banking law of 2017. Although the banking law refers elusively to resolution tools such as bridge bank and asset separation powers, these tools do not benefit from an enforceable statutory regime and lack supporting processes to be activated. There are currently five banks under liquidation, some of them for more than 30 years. No bank has been placed in resolution or liquidation over the past 10 years.

41. **A BRB regulation on establishing the DGRF was adopted in December 2023 with technical assistance from the Bank of Morocco.** The DGRF membership will be mandatory for all banks and deposit-taking microfinance institutions. It will provide coverage for insured deposits of up to BIF 3 million (US$ 1,000), which would provide a full coverage to about 76 percent of banking sector deposits, according to the BRB. The DGRF fee is set to 0.2 percent of eligible deposits, with a 0.025 percent surcharge for institutions with high NPLs. Although there were no impact studies conducted for assessing the impact of DGRF contributions on banks and MFIs, the banking sector considered the fees to be manageable.

Recommendations

42. **Reforms are needed to strengthen the FSN.** Based on MCM experience, the first step should be a review of the banking law to assess the scope to establishing a statutory SRR aligned with the FSB Key Attributes (KA), adjusted to Burundi's needs. The SRR should include several features, such as defining a bank's non-viability, establishing a framework for asset quality and viability assessment, granting adequate resolution powers to the resolution authority, and ensuring that the resolution authority has the right to override the shareholders' rights in resolution. The SRR should also introduce safeguards for creditors and shareholders.

43. **For banks that are failing or are likely to fail, the appropriate options include Purchase and Assumption (P&A) or liquidation.** For a P&A transaction, the BRB needs broad-based powers to transfer select assets and liabilities from the failed bank to a third-party institution. Only in the absence of an acquirer should a bridge bank take over temporarily and continue operating certain critical functions and viable operations until a sale to a private sector party can be completed. The mission recommends that priority be given to measures adapted to the development level of the Burundi's banking system, such as operationalizing the P&A and bridge bank powers, and liquidation procedures. The latter would benefit from bylaws which would set clear guidelines for assessing asset recoverability and write-offs which would enable the streamlining of liquidation procedures under the BRB.

44. **The creation of a resolution function in the BRB raises the issue of conflicts of interest.** Operational independence of the resolution authority and governance arrangements that address conflicts of interest are crucial. When a single authority, such as the BRB, 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. 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) through

separate reporting lines.[18] At the same time, the BRB 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.

45. **The BRB should establish requirements for banks to draft recovery plans.** Recovery plans identify credible options to restore financial strength and viability when a bank comes under severe stress to cope with a wide range of scenarios. The absence of recovery planning creates a risk that banks might not be able to recover from a financial shock, including from shocks originating in parent banks. Recovery planning should be introduced in the SRR and implemented progressively by all banks.

46. **Over the longer term, the BRB should introduce bank resolvability assessments and resolution plans for the large banks.** Once an SRR in line with international standards has been adopted, the BRB should undertake resolvability assessments of at least the major banks and prepare resolution plans. The absence of resolution plans risks impeding the effective resolution of banks, leading to a heightened risk of government or central bank bailout.

47. **Resolution tools need a resolution funding mechanism.** To ensure the robustness of the systemic crisis management framework, the government's role and stabilization tools for institutions in resolution should be clearly predefined. 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 and subject to strict conditions, in particular full recognition of losses and their absorption by the failing bank's shareholders. Pre-established arrangements should allow the resolution authority to promptly mobilize financial resources, so that authorities are not constrained to rely on public funds as a means of resolving banks. The use of BRB funds in resolution should be ruled out, except for limited temporary provision of liquidity in specific and well-defined cases.

48. **A review of cooperation with home authorities is needed.** Currently, there are no institution-specific cross-border arrangements in place to facilitate cross-border bank recovery and resolution. Considering the importance of foreign banking groups in Burundi, the SRR will need to address aspects related to cross-border resolution for foreign subsidiaries.

49. **Crisis preparedness and resolution planning should rely on effective cooperation, coordination, and information sharing among the FSN members.** It is recommended to establish an inter-institutional crisis coordination committee, including high-level representatives from the BRB, Ministry of Finance, and other relevant institutions, chaired by the BRB Governor (as head of the *de facto* resolution authority).

50. **The BRB has statutory powers to enable it to provide ELA but it would benefit from a more comprehensive framework.** The current framework creates a risk that, should a bank become illiquid and be unable to obtain liquidity via its parent or through market sources, the BRB might not be able to provide ELA quickly and with the legal certainty required. Accordingly, the mission recommends that the BRB develop guidance on ELA, including: (i) clearly defined preconditions for eligibility for ELA; (ii) indicative terms and conditions for ELA, including interest rate, maturity, roll-over process, fees, events of default and monitoring requirements; (iii) collateral requirements, including the collateral eligible for ELA and the valuations applicable; (iv) parent bank asset pledges; and (v) disclosure of ELA. The governance framework of the ELA should safeguard the central bank's

[18] Moretti, Dobler, and Piris, "*Managing Systemic Banking Crises*: *New Lessons and Lessons Relearned*," IMF Departmental Paper Series, February 11, 2020,

institutional independence and accountability. The IMF's Central Bank Transparency Code provides detailed guidance on appropriate transparency regarding the governance, policies, operations, and outcomes of the ELA framework. Providing ELA in FX will be a significant challenge, given the very low official FX reserves, and the signaling effect should be carefully considered.

51. **The DGRF operating principles should be clarified.** There is no target size set for the DGRF. It is not clear whether the DGRF has a broader mandate than a narrow "pay box" scheme: the regulation seems to provide the option of providing liquidity support to banks in difficulties before resolution is triggered. Such a use of DGRF resources outside of resolution or liquidation should be avoided, particularly as the successful rehabilitation and long-term viability of a troubled bank is very difficult to ensure. There is no reference to a last resort back-up funding to provide additional resources for deposit payouts by the government in case the DGRF is short of funds. Also, the compensation of depositors after setting off their liabilities should be reconsidered. Although depositor preference is mentioned in the banking law and BRB regulation, a clear and comprehensive creditor hierarchy should be laid down in the SRR to derogate to corporate insolvency laws.

52. **The DGRF framework does not provide for operational independence.** The DGRF is expected to become operational as a unit within the BRB in 2025. The DGRF is overseen by the BRB board which will appoint an entity within the BRB to manage it. The DGRF's governing structure is very heavy and includes five committees, some composed of active bankers (Advisory Committee, which has the power to "issue guidelines on the management of the DGRF") or a large number of BRB staff, with no independent members. Operational expenses will be covered by the BRB until the DGRF is able to generate sufficient income to sustain itself.

53. **Introducing the deposit insurance system should be accompanied by a significant overhaul of supervisory practices.** A strong bank resolution regime, strong legal and judicial framework, as well as accounting and disclosure systems, are important preconditions for deposit guarantee funds. In this context, it is particularly important that the regulation and supervision of MFIs covered by the DGRF are strengthened considerably. The ongoing liquidations have underscored significant weaknesses in asset recoveries which will inhibit the recovery of DGRF funds from liquidation.

C. Systemic Risks: Identification, Assessment, and Mitigation

Diagnostics

54. **The BRB has made progress in developing its analysis of systemic risks, but more work is needed.** Two dedicated committees (the Technical Financial Stability committee and the Internal Financial Stability Committee, chaired by the Governor) meet quarterly. A cross-cutting project of a National Financial Stability Coordination Committee involving all the national authorities (the BRB, the insurance industry regulation authority ARCA, the Ministry of Finance, etc.) remains on hold.

55. **Despite high staff turnover, the BRB has made efforts to identify the vulnerabilities affecting financial stability based on the standards recommended by the EAC.** The EAC established a set of convergence criteria relating to systemic risk analysis (macroprudential analyses, stress tests, statistics). The DSS, together with the DES, drafts the summary of results of the systemic risk analyses for the Financial Stability Report (FSR) published since 2017 (first report based on end-2015 data). The FSR is validated by the internal Financial Stability committees before publication.

56. **A systemic risk analysis should be supported by risk monitoring and oversight tools, such as dashboards, heatmaps, interconnected matrices, or scaling criteria for risk indicators.** These tools require high quality granular data, information systems authorizing storage and viewing upon request of long time series, and specialized human resources. Despite the progress achieved, the DSS is facing various challenges, namely: upgrading and improving its methods of analysis, extending data coverage, strengthening automatic consistency checks at reception of data, bridging the current lack of integration of stress tests with the results of macro-financial analyses. The systemic risk analysis teams have suffered from extreme turnover, which has hampered the accumulation of expertise.

57. **Key risks, such as FX risk or exposure to sovereign risk are not sufficiently well covered in the risk analysis.** Also, the connections between risk identification, indicators monitored, and stress tests are not based on a consistent, formal framework that allows sufficient coverage of the macro-financial risks and accurate quantification of their impacts. Progress remains to be made to establish a full roadmap of the risks, identification of systemic vulnerabilities based on tried and tested indicators, and statistical calibration of thresholds that enable risks to be monitored according to their severity. The inclusion in the analysis of macro-financial and banking stress test results, based on methodologies appropriate to the level of expertise of the teams, should enable the BRB's systemic risk assessment capacities to be strengthened. The risks currently not covered could be tackled step by step, such as the risk of maturity mismatch between bank assets and liabilities, the risk of interbank contagion, or the asset or liability concentration risk.

58. **The work on systemic risk is based on outdated information and is not sufficiently coordinated.** The diagnostic assessment on systemic risks requires a cross-cutting approach given the multiplicity of data sources. The current framework struggles to react to and capture in a timely manner the changes in systemic risks. For example, the 2022 FSR identified two main risks (sovereign debt and a depreciation) but did not include any quantification of these risks. Work has recently been started on stress tests relating to FX risk, but the published stress tests do not cover this risk, and several departments have worked on FX risk impact assessments without communicating with each other.

59. **The scope and quality of the source data have room for improvement.**[19] The primary data underpin the relevance of the systemic risk analysis work relating to the financial and, specifically, the banking sector, making the checking of accounting information and regulatory reporting particularly necessary. In Burundi, as in other jurisdictions, ensuring the quality of these two aspects is an issue of the greatest importance,[20] which is particularly evident with the expected increase in overdue amounts following the boom in lending in 2021–2022. However, the on-site inspection missions initially planned to review the accounting function of the banks and the quality of prudential reporting (AFC recommendations in 2021) were postponed in favor of credit and operational risk missions, which means that the reliability of the primary data cannot be guaranteed.

60. **An effective credit register is useful to monitor the banking sector, its practices, and risks.** The expansion of the information requirements has lent more significance to the infrastructure for sharing data on credit, which is a tool for use by both the authorities and lenders. For example, Uganda (2011) and Tanzania (2012) introduced credit bureaus that help collect and distribute

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[19] While the transmission of bank data reporting through the BSA appears to be satisfactory, there are still issues with collection for the other financial sectors, namely: insurance sector (delays in transmission by the relevant supervisory authority), microfinance (partial coverage), and pension funds (lack of data).

[20] IMF, IMF Policy Paper: Staff Guidance Note on Macroprudential Policy—Considerations for Low Income Countries; November 6, 2014.

information on borrowers and limit over indebtedness. The project to set up both an effective credit register and a credit bureau is crucial. It is due to start in 2024 and take 18 to 20 months.

Recommendations

61. **The BRB should allocate more staff to systemic risk analysis.** The expertise of these officers needs to be increased, in addition to extending the depth of expertise of micro-prudential supervision, to enable effective detection of systemic risks.

62. **The systemic risk analysis framework should be strengthened. In particular:**

- The coverage of vulnerabilities should increase. Each risk will be linked to indicators relevant to the national context, compiled on a regular basis, and linked to specific thresholds, whenever possible, according to a statistical review of the historic data, to measure the degree of intensity of each risk and establish priorities. The review of the selection of relevant indicators could lead to an appraisal of source data quality or of the need to improve consistency control systems in BSA (settings for controls, incorporation of warnings).
- Higher risks should receive greater attention. By improving the consistency between the systemic risks identified and the associated stress tests (in particular, credit risk, liquidity risk, FX risk21, and sovereign risk) with a view to strengthening the early awareness of the BRB in relation to the development of risks. International best practices in this area highlight the need to use the results of stress tests as early indicators of deterioration of macro-financial risks, as well as to guide supervisory actions on credit and liquidity risks as part of a risk-based supervision approach.
- The results of these analyses should be included in a "Financial Stability Dashboard." This dashboard should be widely disseminated internally and brought to the attention of top management for discussion and validation at the Technical and Internal Financial Stability Committee meetings. Preparation of this document should be based on a more intense and formalized exchange of data and risk analyses among the various directorates of the BRB (DSS, DES, etc.) for a better cross-functionality.

63. **The BRB needs to strengthen verification of the accounting, financial, and risk-related information production process through on-site inspections.** The DSS should strengthen the consistency checks and data quality tests within the BSA with the support of the IT Directorate. The BRB is also working with STA to resume the compilation of the FSIs and automate their calculation using the primary data provided by the banks (see Appendix 3) in accordance with the current accounting and prudential provisions and EAC best practices.

D. Bank Stress Tests

Diagnostics

64. **The mission assessed the BRB's capacity to conduct stress testing exercises.** The assessment focuses on the following BCBS stress testing principles[22] on a proportionate basis, and

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[21] The BRB currently uses the LCR in FX and the market risk to address the vulnerabilities associated with the FX risk. Other tools recommended by the IMF to address the FX risk are currency differentiated reserve requirements, limits on net open positions, and higher capital buffers on credit exposures in FX.

[22] BCBS, 2019, "Stress Testing Principles," Bank for International Settlements.

as guidance and reference for the authorities: 1) objectives, 2) governance, 3) use as a risk management tool and to inform supervisory decisions, 4) methodology, and 5) communication. The mission took stock of the Fund's 2020 survey[23] to provide a benchmark.

65. **Since 2017 the BRB has conducted top-down credit and liquidity risks stress tests at a yearly frequency and a credit risk reverse stress test at a quarterly frequency.** The exercises cover all 15 credit institutions and produce aggregate results at system level. The stress tests do not cover several risks (market risk, interest risk, contagion, or operational risks). The BRB plans to evaluate FX risk in the near future and to build a satellite model following EAC guidelines. There are no macro stress tests or top-down stress tests on other sectors.

66. **The governance structure of the stress testing framework is not clear.** A team of two experts at the Financial Stability Division (FSS) within DSS has full ownership of all steps of the exercises, including risk identification, data collection and processing, scenario, risk factors calibration. The FSS has no exchange with internal stakeholders on the preparation or the results of the stress tests (top management or other departments[24]). Procedures governing the sharing of results are not documented. Draft documentation is available only for the methodology.

67. **Results from the stress tests are not used as a risk management tool or to inform the supervision activities of the DSS.** The results of the exercise are reviewed and approved by DSS management and discussed as an item in FSR validation at annual intervals. There is no follow up by DSS after publication. The DSS does not use it to engage in supervisory dialogue with the banks.[25]

68. **The stress testing methodology relies entirely on the IMF Stress Tester Tool**.[26] This is common practice in SSA and in the EAC and in line with the Fund's 2020 survey findings. The scope and complexity of the stress testing practices is therefore broadly suitable for the size and complexity of the financial sector of Burundi. However, DSS does not deviate enough from the standard design and calibration of the toolkit, enabling potential improvements in risk identification, calibration of risk factors, or identification of shock transmission channels and feedback. The Fund's toolkit could be better calibrated to Burundi data.

69. **The credit stress tests cover some of the macro-financial risks.** The exercises apply the following approaches: 1) a proportional and aggregate NPL shock to all banks, 2) a correction for underprovisioning of NPLs under current provisioning rules, 3) a sectoral shock, allowing different shocks to different sectors preselected by exposure size and vulnerability, and 4) a shock to large debtors (concentration risk). The shock calibration is not challenged. NPL ratios appear very low and therefore the use of observed yearly averages over recursive samples may not be conservative enough. The mission discussed the use of individual pooled information from banks to identify outliers and use these values as potential extreme but plausible shock assumptions. The shock calibration would also benefit from exchanges with the Credit Institutions Division (supervision) to assess the reliability of provisioning and NPL reporting of specific banks.

70. **Results from the stress tests found vulnerabilities to sectoral and concentration risks.** The FSRs for 2021 and 2022 note that the number of banks with potential capital adequacy problems

[23] Leika, M., H Perez-Saiz, O Stankova and T. Wezel, 2020. "Stress Testing in Sub-Saharan Africa: Practices, Communications, and Capacity Development," IMF Departmental Papers / Policy Papers 2020/007.

[24] A unit of the DES receives daily reports from banks on their FX positions, but the FSS work on FX stress tests did not involve this unit.

[25] The FSR mentions for instance the following supervisory activities, namely: strengthening risk coverage, including the increase of capital and the constitution of sufficient provisions, monitoring the default risk of the largest debtors.

[26] Čihák, 2007, "Introduction to Applied Stress Testing," IMF Working Paper No. 07/59.

is increasing due to strains in key economic sectors and rising default risk from large debtors. The BRB has detailed information of large exposures to potentially extend the analysis to contagion and to link credit risk to liquidity risks due to high concentration also in funding, thereby giving rise to feedback loops. The BRB does not, however, conduct *ex ante* analysis of sectoral and large exposure concentration to cluster banks and analyze sizable overlapping portfolios.

71. **The inclusion of FX risk in the stress tests is welcome**. This approach stresses banks' solvency by shocking banks' net open positions in foreign currency and FX-linked positions in local currency using an assumed rate of depreciation of the domestic currency. An extension of indirect FX risk is also desirable in relation to the corporate sector and its high reliance on FX.

72. **Results from the reverse credit risk stress test are used only for internal discussion**. The methodology is especially suited to weak data environments.[27] The tests calculate the additional NPL increases that would take capital requirements to their regulatory minimum. Neither supervisory teams nor banks are aware of this exercise.

73. **Liquidity stress tests should incorporate key features of the Burundi banks**. Following the methodology of the IMF Stress Tester Tool, including default run-off rates, the model applies proportionally bank-by-bank daily withdrawals[28] within a horizon of five days and a given stock of counterbalancing capacity. The scenarios have not been calibrated for the Burundi economy: large depositors' concentration should be reflected in the methodology.

74. **The yearly stress tests are published in the Financial Stability Report.** A section in the FSR discusses the methodology and scenarios for credit risk (different degrees of deterioration of loan quality followed by increase in provisioning) and liquidity risk (deposit withdrawals). Credit risk stress test results are reported in terms of the number of institutions resisting the shocks and those breaching regulatory capital requirements. The results of the liquidity stress test summarize the number of banks needing to resort to external liquidity after a given number of days. Results of the quarterly credit risk reverse stress test are not published.

75. **The dissemination of the results of stress tests results is limited.** Banks cannot use the exercise to benchmark their internal stress tests. As a result, the current stress testing framework fails to foster banks' own stress testing and risk management capabilities and to steer market discipline. Internally, BRB top management does not participate beyond the review and approval process for the FSR, and the results are not followed up by direct supervision.

Recommendations

76. **The BRB top-down stress testing framework should be upgraded**. In line with good practice, BRB needs to formalize a framework prioritizing the following components:

- **A governance structure** with clear and documented roles and responsibilities for top management, DSS, and other key stakeholders.
- **An effective integration** of the stress testing exercise into the broader systemic risk assessment and to support supervisory activities.

[27] Ong, L., R. Maino and N. Braiton, 2010, "Into the Great Unknown: Stress Testing with Weak Data," IMF Working Papers 2010/282.

[28] Withdrawal rates to demand deposits are 15 percent for domestic currency deposits and 10 percent for foreign currency deposits. For term deposits, they are 3 percent for domestic currency deposits and 1 percent for foreign currency deposits.

- **A communication strategy** embedded in the financial stability communication policy, to enable internal buy-in, coordination with internal stakeholders in the production process, and effective use of stress tests in supervision. As for external stakeholders, the communication strategy should be regular, consistent, and embedded in direct supervision.

77. **The stress test methodology should capture new vulnerabilities**. The existing credit and liquidity stress tests need to be challenged and adapted to the current vulnerabilities of Burundi banks. They need to make more extensive use of available and granular data, prioritizing the current vulnerabilities to FX risk (strong depreciation of the currency), sovereign risks (interest rate risk, haircut scenarios), and concentration risks (credits and deposits). The BRB should adapt the IMF Stress Tester Tool to provide realistic and relevant scenarios, risk coverage, and ability to inform decision making. In the longer term the BRB could implement a multi-year scenario-based stress testing framework.

78. **The BRB staff needs to build capacity to operate, revise and extend the stress testing framework.** The BRB staff would benefit from training in data management and analysis, econometric modeling applied to stress testing and fundamentals of financial stability communications. Strengthening the staff capacity to operate, revise, and extend the stress testing framework should come hand in hand with expanding the risk coverage and calibrating the shocks of the stress tests.

III. Technical Assistance Roadmap

79. **A key component of the FSSR is the roadmap agreed with the BRB linking the diagnostic assessment with the strategic reforms planned.** The Technical Assistance Roadmap (TARM) emphasizes the practical measures that the authorities have agreed to take over a specified time horizon (three years). The IMF, with other TA providers, if possible, will work with the authorities to implement the TARM and monitor the development of reforms in relation to expected results. The TARM should be considered as a set of steps enabling the intended strategic objectives to be met.

80. **Based on the findings and recommendations described in this report, the mission proposes the draft TARM in Appendix 1.** The TA projects are identified in the draft TARM by the numbers under each area reviewed (from A.1 through D.3).

Appendix 1- Technical Assistance Roadmap

Subject No.	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority	Time Horizon
A- Supervision and Regulation of the Financial Sector						
			Banking Sector			
1	Incorrect identification of impaired/ doubtful loans and expected losses.	Improve accounting and provisioning procedures.	Through training, support the organization by the DSS of on-site inspection missions in banks to ensure that they are correctly listing their impaired loans (planning of missions, loan tape creation, guide to analysis, plan of the reports, etc.) and the restructured loans.	BRB	H	IM
2	Incorrect identification of impaired/ doubtful loans and expected losses.	Improve accounting and provisioning procedures.	Training of the new BRB IFRS9 team. Review of the final version of the draft IFRS9 regulation. Prudential requirements for loan classification, provisioning, and restructuring should be strengthened to be in alignment with BCBS rules. (Condition: BRB has validated a draft IFRS9 regulation and set up an IFRS9 team.)	BRB	H	ST
3	Insufficient knowledge of the risks assumed by banks and poor allocation of DSS resources.	Establish risk-based supervision and strengthen the supervision process.	Finalization of the qualitative reporting enabling the banks' risk management systems to be assessed. Incorporation of bank rating in the prudential supervision process. Implementation of early warning indicators. Design of an action plan for establishing the supervisory review process (SRP). Training in the way to incorporate bank rating in the prudential supervision process.	BRB	H	ST

Appendix 1- Technical Assistance Roadmap

Subject No.	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority	Time Horizon
			Establishment of SRP.			
4	Effectiveness of the DSS reduced by the significant turnover of officers assigned to off-site supervision.	Establish risk-based supervision and strengthen the supervision process.	Formalization of operational procedures for off-site supervision and preparation of an off-site supervision manual.	BRB	H	MT
5	Insufficient monitoring of the way in which banks manage their operational and IT risks.	Improve/ strengthen the prudential standards and regulations on cybersecurity.	Update the guides provided on on-site inspection of IT risk. Complete the regulations on IT risk management. Assistance in preparing an official report ('*Livre Blanc*') on control of operational and IT risks. (Condition: the BRB should draw up a first draft or a detailed outline of this official report.)	BRB	MH	LT
6	Lack of detailed precision of the on-site inspection process.	Establish risk-based supervision and strengthen the supervision process.	Assist with updating of the on-site inspectors' procedures manuals.	BRB	MH	LT
7	Fragmentation of the texts on related parties.	Strengthen banking regulation and prudential standards.	Assist with the preparation of a single text on related parties taking into account all the aspects set forth in Point 20 of the Basel Core Principles. (Condition: the BRB should provide a list of the provisions currently in force in the various texts.)	BRB	MH	LT
8	Improve supervision of problem banks and early intervention.	Establish risk-based supervision and strengthen the supervision process.	Supervision procedures, early warning indicators, early intervention. Adopt a policy and procedure for supervision of problem banks. (Condition: the BRB should prepare a first draft.)	BRB	H	LT

Appendix 1- Technical Assistance Roadmap

Subject No.	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority	Time Horizon
9	Updating of the prudential regulations for risk-based supervision.	Strengthen banking regulation and prudential standards.	Update the prudential regulations published in 2018 (in particular on governance of banks, risk management, composition of capital, large exposures, licensing, and prudential regime for the Post Office ('Régie des Postes').	BRB	MH	LT
Nonbank Sector - payment services						
10	Failure to apply the prudential rules for PIs.	Implement risk-based supervision and strengthen the supervision process.	Organize and lead a training workshop for supervisors —both offsite supervisors and onsite supervisors. Establish relevant indicators for prudential reporting and set up a prudential indicator dashboard for the sector.		H	ST
11	Insufficient prudential framework for the activity of PIs.	Strengthen banking regulation and prudential standards.	Assist with the preparation of prudential regulation on PIs. (Condition: the DSP shares a draft prudential regulation.)		MH	MT
B. Crisis Management and Financial Safety Net						
1	Lack of a special resolution framework hinders the resolution of problem banks, creating financial stability risks and making resolutions more expensive.	Develop/strengthen the special resolution regime and crisis preparedness framework	Conduct a review of the existing Banking Law with a view to strengthen the bank resolution framework. Suggest revisions to align the special resolution regime with international standards. (Condition: carried out jointly with IMF LEG, may require six weeks of desk review and one-week in-person to explain drafting suggestions)	BRB	H	ST

Appendix 1- Technical Assistance Roadmap

Subject No.	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority	Time Horizon
2	Use of liquidity mechanism in resolution puts the central bank at risk	Introduce/strengthen the ELA framework	Align the ELA framework with international best practices. (Condition: BRB shares a first version of text)	BRB	H	ST
3	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. Integration of recovery plans in the rating of banks (SEPREC). (Condition: only after a statutory special resolution regime has been adopted)	BRB	H	MT
4	Lack of a special resolution framework hinders the resolution of problem banks, creating financial stability risks and making resolutions more expensive.	Operational preparedness in line with international good practice	Introduce resolution planning at BRB. Assistance in operationalizing transfer and liquidation tools. Address conflict of interest issues by structurally separating the decision-making process in respect of bank resolution/deposit insurance, from bank supervision and responsibility for emergency liquidity. Review the options available for the bank resolution funding and support the implementation of the chosen option. (Condition: only after a statutory special resolution regime has been adopted)	BRB	H	MT
C. Systemic Risk						
1	Development of the systemic risk analysis framework in further depth.	Develop/ improve the systemic risk monitoring systems and tools.	Strengthen officers' capacity to master the technical systemic risk analysis tools currently validated and used internally at the BRB through focused training and explore further options to	BRB	H	ST

Appendix 1- Technical Assistance Roadmap

Subject No.	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority	Time Horizon
			reinforce the reliability of the methodologies in place.			
2	Development of the systemic risk analysis framework in further depth.	Develop/ improve the systemic risk monitoring systems and tools.	Draw up a comprehensive roadmap of the potential sources of systemic risk and link each type of risk with indicators based on the regular, reliable data available. Identify the main macrofinancial connections and associated indicators. Definition of a series of robust indicators for an appropriate early warning system set up for the purposes of oversight, including the setting of thresholds to establish a ranking of risks. (Conditions: - presence of a formal process for summary and dissemination of the analyses to the BRB's Technical and Internal Financial Stability Committees; - regular collection of data, including manual collection, on the financial sectors under review.)	BRB	H	ST
3	Development of the systemic risk analysis framework in further depth.	Strengthen the systemic risk oversight structure.	Create a financial stability dashboard that can be used for oversight purposes (while continuing to improve the availability and reliability of the data on the banking and nonbanking sectors). Discuss the risk analysis results within the decision-making committees/ directorates in charge.	BRB	MH	MT

Appendix 1- Technical Assistance Roadmap

Subject No.	Vulnerability or Gap Identified	Strategic Objective	Technical Assistance	Authority in Charge	Priority	Time Horizon
			Share the results among directorates/ divisions/ institutions responsible for financial stability. (Condition: validation of the Systemic Risk Roadmap and associated indicators by the BRB Board).			
4	Development of the systemic risk analysis framework in further depth.	Develop and strengthen communication relating to financial stability.	Improve the analytical content of the Financial Stability Report, in particular the consistency of inclusion of stress test results.	BRB	M	MT
D. Bank Stress Tests						
1	The present methodology needs to be reviewed and updated to improve the way current vulnerabilities are addressed.	Strengthen the toolbox for the identification of threats to financial stability and remedial policies.	Review the methodology, in particular to include vulnerabilities relating to the exchange rate, sovereign, and concentration risks, as well as scenarios for each of these risks.	BRB	H	ST
2	Need to build BRB staff capacities to operate, review, and extend the existing stress test methodology.	Strengthen the systemic risk oversight structure.	Build BRB staff capacities to operate, review, and extend the stress test framework.	BRB	H	ST
3	The stress test framework lacks formal governance, effective integration in the risk analysis system, ability to support supervision, and a clear communication strategy.	Strengthen the systemic risk oversight structure.	Modernize the top-down stress test framework, including its governance, its effective integration with supervision, and a consistent communication strategy to guide prudential and oversight policies.	BRB	H	MT

Time Horizon IM: < 6 months; **ST**: < 12 months; **MT**; 12 to 24 months; **LT**: 24 to 48 months.

Key:			
Priority		**Time Horizon**	
High		Immediate (IM)	
Medium High		Short term (ST)	
Medium		Medium term (MT)	
		Long term (LT)	

Appendix 2 – Stocktaking and Review of Implementation of the 2019-2024 Technical Assistance Recommendations

MCM Technical Assistance Missions 2019-2024 - Main Recommendations

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Financial Regulation and Supervision			
	Supporting the implementation of SEPREC and integration in the supervisory process 24MM55700			**FY 2024** Report in progress
	Use of regulatory reporting and updating of Circular 24 (Publication of financial information) 23MMZQ100			**FY 2023**
1	Strengthen the data quality of prudential statements by incorporating in BSA application the consistency controls specified during the mission. Responsible for implementation: Credit Institutions Division (SEC).	ST	**ONG-Ongoing**	The SEC defined the consistency controls (procedures manual) but the incorporation in BSA raised issues relating to the unit of account.
2	Validate draft Circulars 12 and 24 and forward them to the banks for consultation and, after taking into account relevant comments, adopt the circulars. Responsible for implementation: SEC.	ST	**ONG-Ongoing**	Draft Circular 12 incorporates IFRS9. The BRB has committed at the EAC level to implementation by end-2024.
3	Form a work group, implement the SEPREC rating methodology, undertake the first rating exercise, and include its results in the supervision process. Responsible for implementation: SEC.	ST	**ONG-Ongoing**	End-January 2024: first completion of 15 SEPREC ratings (all banks and financial institutions).

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

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Quantitative impact analysis of the long-term structural liquidity ratio (net stable funding ratio)			**FY 2023**
1	(a) Validate the draft circular amendment proposals and the regulatory reporting statements proposed at the workshops; (b) Present the new text and the new regulatory reporting templates to the relevant authorities for publication. Authority responsible: BRB	ST	**ONG-Ongoing**	Priority given to end-2023 revision of the minimum capital and foreign exchange regulations review. Circular and impact study are ready and shared with the banks, but need to explain to all the supervisors prior to implementation.
2	Publish the new circular on the NSFR. Authority responsible: BRB	ST	**ONG-Ongoing**	
3	Support the banking profession throughout the process of reform to ensure ownership of it and effective execution of the adjustments necessary to comply with future prudential requirements. Authority responsible: BRB	ST	**ONG-Ongoing**	
4	Prepare a procedure describing the measures to be taken in the event of breach of the prudential requirements (noncompliance with the minimum NSFR requirements). Authority responsible: BRB	ST	**ONG-Ongoing**	
5	(a) Prepare a technical note for the filling out of the regulatory reports on the NSFR; (b) Establish a guide for monitoring the quality of regulatory reports on the NSFR. Authority responsible: BRB	ST	**ONG-Ongoing**	
6	(a) Adapt the chart of accounts and the template report to make them consistent with the NSFR methodology; (b) Introduce the new NSFR report in the BRB reporting system; (c) Adapt the BRB information system to enable it to process the new report. Authority responsible: BRB	MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
7	(a) Formalize the processing and application procedures of the new NSFR report; (b) Take into account this new report in the supervisory review and evaluation system (SREP). Authority responsible: BRB	MT	**ONG-Ongoing**	
8	Train the bank inspection teams in the new regulations. Update the BRB's on- and off-site inspection manuals. Authority responsible: BRB	MT	**ONG-Ongoing**	
9	Develop an environment for automated checks on the quality of the regulatory reports including internal checking points for the various reports and checking points involving the various reports (inter-document checks). These automated checks should be applied before incorporation of the regulatory reports in the BRB data warehouse. Authority responsible: BRB	MT	**ONG-Ongoing**	
	Implementation of Basel II-Basel III: net stable funding ratio (1st mission) **23MMT6200**			**FY 2023**
1	Adjust and finalize the draft regulation on the net stable funding ratio after an in-depth review; ask the banks to confirm the absence of unconditionally revocable credits and other noncontractual conditional obligations. BRBA top management should validate the basic options, in particular: - the scope of application of the new regulation; - the method of calculation on an individual and/ or consolidated basis; - the treatment of assets/liabilities in foreign currency; - the periodicity of regulatory reports;	ST	**ONG-Ongoing**	Same comments as above.

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	- the FSR coefficients applicable to off-balance sheet commitments arising from national options. Authority responsible: BRB			
2	(a) Launch a communication plan to inform supervised institutions to raise their awareness of the introduction of the NSFR ratio; (b) Share the preliminary draft texts on the NSFR with the banking sector. Authority responsible: BRB	ST	**ONG-Ongoing**	
3	(a) Carry out a quantitative impact study to assess the level of the stable funding available and the stable funding required in accordance with the applicable coefficients; prepare the file to be submitted to the banks, collect and verify the reliability of the data, analyze the results; (b) Verify the banks' capacity to deliver the regulatory ratio reports in a reliable manner. Authority responsible: BRB	ST	**ONG-Ongoing**	
4	(a) Amend the draft circular to reflect the impact study results; (b) Present the new text to the relevant authorities for publication. Authority responsible: BRB	MT	**ONG-Ongoing**	
5	Publish the new text. Authority responsible: BRB	MT	**ONG-Ongoing**	
6	(a) Adapt the chart of accounts and the regulatory template reports; (b) Introduce the new NSFR report into the BRB reporting system; (c) Adapt the BRB information system to enable it to process the new report. Authority responsible: BRB	MT	**ONG-Ongoing**	
7	(a) Formalize the processing and application procedures of the new NSFR report;	MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	(b) Take into account this report in the supervisory review and evaluation process (SREP). Authority responsible: BRB			
8	Support the banking profession throughout the process of reform to ensure ownership of it and effective execution of the adjustments necessary to comply with future prudential requirements. Authority responsible: BRB	MT	**ONG-Ongoing**	
9	Train the on- and off-site supervision teams. Authority responsible: BRB	MT	**ONG-Ongoing**	
10	(a) Incorporate the monitoring of the new ratio in the banking supervision process; (b) Prepare a procedure describing the measures to be taken in the event of breach of the prudential requirements (noncompliance with the minimum net stable funding ratio levels). Authority responsible: BRB	MT	**ONG-Ongoing**	
11	Establish a quality control system for the new reports. Authority responsible: BRB	MT	**ONG-Ongoing**	
	Implementation of Basel II-Basel III: regulations on interest rate risk in the banking book (IRRBB) 23MMU28			**FY 2023**
1	BRB top management should validate the basic options, in particular: - the scope of application of the new regulation: credit institutions (excluding microfinance institutions); - the application of the draft circular to all assets and liabilities sensitive to interest rate risk recorded in the balance sheet of credit institutions regardless of their classification in the trading portfolio or banking portfolio;	ST	**ONG-Ongoing**	DSS needs training to prepare the teams of supervisors. Planned AFC in FY 2024. The other EAC countries have not implemented IRRBB. FSSR mission suggests postponing until after the strengthening of expertise (but integrating it in the sovereign risk stress tests).

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	- the monitoring of the interest rate risk exposures in Burundi francs and U.S. dollars; - the measurement of interest rate risk exposures using two approaches based retrospectively on the sensitivity of the net interest margin (NIM) and the sensitivity of the economic value of equity (EVE) to changes in interest rates; - the introduction in the draft circular of a standard method of measuring EVE and NIM sensitivity to changes in interest rates; - the conditions for the application of the standard method: obligatory for all institutions or application limited to institutions whose interest rate risk measurement system is deemed inadequate by the supervisory authorities; - the content of institutions' regulatory reporting requirements (reporting of results of calculations only or reporting of interest rate gaps with detail of calculations); - the regulatory scenarios and calibration of interest rate shocks in Burundi francs and U.S. dollars. Authority responsible: BRB			
2	Conduct a detailed review of the draft circular provisions and take ownership of and test the draft regulatory report attached to the draft circular based on actual data provided by the credit institutions. Authority responsible: BRB	ST	**ONG-Ongoing**	
3	a) Launch a communication plan to inform supervised institutions to raise their awareness to the introduction of the regulation on interest rate risk in the banking book; b) Raise awareness of the institutions with regard to the challenges, methods, and rules for interest rate risk management by organizing information sessions with the banking profession;	ST	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	c) Share the draft circular and the draft regulatory reporting statement with the banking sector for comment. Authority responsible: BRB			
4	Given the low level of expertise and the lack of a formalized framework for interest rate risk management in many of the institutions: a) Ensure thorough understanding among the banking system of the challenges relating to the IRRBB draft circular; a) Carry out a test on the implementation of the standard method with two or three pilot banks; b) Verify the banks' capacity to deliver the regulatory report attached to the draft circular in a reliable manner. Authority responsible: BRB	MT	**ONG-Ongoing**	
5	a) Amend the draft circular to reflect the results of the discussions with the banking system; b) Present the new text and the new template report for publication. Authority responsible: BRB	MT	**ONG-Ongoing**	
6	Publish the new text. Authority responsible: BRB	MT	**ONG-Ongoing**	
7	a) Introduce the new IRRBB regulatory risk report in the BRB reporting system; b) Adapt the BRB information system to enable it to process the new report. Authority responsible: BRB	MT	**ONG-Ongoing**	
8	a) Formalize the processing and application procedures of the new IRRBB report; b) Incorporate IRRBB risk in the supervisory review and evaluation process (SREP) in connection with the draft ICAAP/ILAAP regulation currently in development (internal capital adequacy assessment	MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	process (ICAAP) and internal liquidity adequacy assessment process (ILAAP)); c) Prepare a procedure on the use and treatment of the "Supervisory Outlier Test" (SOT) indicators; d) Draw up a policy setting forth remedial measures to be put in place for banks particularly exposed to interest rate risk in the banking book. Authority responsible: BRB			
9	Support the banking profession throughout the process of reform to ensure ownership of it and effective execution of the adjustments necessary to comply with future prudential requirements. Authority responsible: BRB	MT	**ONG-Ongoing**	
10	Train the on-and off-site supervisory teams in IRRBB risk. Authority responsible: BRB	MT	**ONG-Ongoing**	
11	Establish a quality control system for the new regulatory reports on IRRBB risk. Authority responsible: BRB	MT	**ONG-Ongoing**	
	Monitoring the implementation of IFRS9 23MMV4400			**FY 2023**
1	Share with the banking sector the drafts of Circular 12/2018 on the classification and provisioning of loans, Circular 16/2018 on External Auditors (CAC), and the chart of accounts for credit institutions (= Volume 3 of the chart of accounts), updated and aligned with IFRS9, to obtain their comments. Authority in charge: BRB	ST	**ONG-Ongoing**	See comments below.
2	Set up a Joint Technical Committee of the BRB and the banking profession, led by the BRB's IFRS9 team, and organize regular meetings with the	ST	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Committee during the stages of dissemination of and transition toward IFRS9 to ensure the support and active involvement of the banking profession to apply IFRS9. Authority in charge: BRB			
3	Set up an IFRS9 team within the BRB directed by a Project Manager, allocating the appropriate means and resources to it for the whole duration of the IFRS9 project. Formalize an internal procedure covering its tasks and objectives. Authority in charge: BRB	ST	**ONG-Ongoing**	Unit formed, but departures of experts (in particular hired by banks).
4	Formalize a strategic IFRS9 plan for the banking sector approved by the Governor of the BRB and published after consultation with the profession, providing a deadline after which credit institutions will have to comply fully with the BRB's requirements concerning submission of financial statements according to IFRS9 following a transition phase to be determined. Authority in charge: BRB	ST	**ONG-Ongoing**	
5	Verify the actual existence of a dedicated IFRS9 project team in each supervised institution to manage the migration to IFRS9. Authority in charge: BRB	ST	**ONG-Ongoing**	
6	Organize communication with high-level representatives of the banking profession to explain the expectations of the BRB relating to the application of IFRS9 and to raise awareness among senior management on the expected quality of financial statements according to IFRS9. Section 71 Authority in charge: BRB	ST	**ONG-Ongoing**	
7	Ask each supervised institution to set forth a practical action plan with well-defined steps and a clear timetable for the appropriate application of	MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	IFRS9, the elements of which must be communicated to the BRB. Authority in charge: BRB			
8	Organize regular bilateral meetings with the general management and the technical teams of each credit institution in order to monitor the state of progress of the IFRS9 project compared with the action plan of the credit institution concerned. Authority in charge: BRB	MT/LT	**ONG-Ongoing**	
9	Ask each bank to ensure that its financial and accounting officials have proven experience with IFRS9 (and the IFRS in general). Require that each institution establish a capacity building policy to this end as soon as possible. Authority in charge: BRB	MT	**ONG-Ongoing**	
10	Ask credit institutions to plan and carry out a training program for staff and managers to ensure their ownership of IFRS9 and their involvement in the IFRS9 project to strengthen the integrity of the accounts preparation process. Authority in charge: BRB	MT	**ONG-Ongoing**	
11	Require statutory auditors (CACs) to train the teams assigned to the certification of credit institutions' accounts in IFRS9. CACs should provide the BRB with evidence of their capabilities. Authority in charge: BRB	ST	**ONG-Ongoing**	
12	Train the BRB's bank supervisors in IFRS9 to build their capacities (i) to lead the reform (for the members of the IFRS9 team), (ii) to review the institutions' action plans relating to the application of IFRS9, and then (iii) to check and analyze the financial statements provided according to IFRS9 (and IFRS7). Authority in charge: BRB	ST/MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
13	Carry out an IFRS9 impact study, in particular on the financial position, profitability, solvency, and liquidity at each institution according to a framework established by the BRB. Authority in charge: BRB	ST	**ONG-Ongoing**	
	Analysis of gaps between the regulatory framework and the Basel framework and roadmap **22MMQ8300**			**FY 2022[30]**
1	Set up a market watch system to monitor developments and, if necessary, to adapt the priorities assigned to the projects identified in the roadmap. Authority responsible: BRB	ST	**ONG-Ongoing**	Team members have left the BRB, not replaced as priority was given to resuming on-site inspections.
2	Update the specifications for the outsourced accounting work by incorporating the constraints relating to the implementation of supervision on a consolidated basis, identification and limits to the banking and trading books, review of the Basel III asset classes (in accordance with market developments as well as ensuring the availability of a flexible accounting system and framework that enable the major foreseeable changes to be integrated as necessary and as quickly as possible). Authority responsible: BRB	ST	**ONG-Ongoing**	
3	Carry out a review of the regulatory texts proposed by the two missions (circulars on risk management	MT	**ONG-Ongoing**	

[30] "The revision of Law 1/17 of August 22, 2017 governing banking activities, supplemented by the general revision of the BRB's prudential circulars, published in August 2018, or the overhaul of the bank rating model (known as SEPREC) to establish risk profiles according to international best practice and standards, in the first half of 2019, represent essential progress. Nevertheless, these processes and regulations are only partially in phase with Basel III. Convergence toward Basel III will involve the adoption of new circulars (covering the internal capital adequacy assessment process -ICAAP-, the internal liquidity adequacy assessment process -ILAAP-, the net stable funding ratio -NSFR-, Pillar 2, the trading book, Pillar 3, etc.) identified in the roadmap but **will necessarily have to be enforced progressively and proportionately.** This dual requirement derives not only from the absorption capacity of the Burundi supervision teams, but also from the acceptability of reforms of such magnitude by the banking system operating in the country."

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	and on ICAAP) and submit the final versions to the BRB board for promulgation with an indication of the envisaged dates of entry into effect (Please note: this determines the authorization of future TA missions and orders of priority). Authority responsible: BRB			
4	Roadmap approved by the BRB board. Draw up an action plan setting forth the procedures for its implementation and the deadlines (short, medium, or long term, accordingly). Adjust the roadmap priorities according to the developments seen under the market watch system recommended in point 1 and any new risks identified that could lead to a reconsideration of work priorities. Also consider the priorities in connection with the absorption capacity of the supervisory teams (ownership of the new regulations and corresponding methodologies) and the acceptability of the reforms by the Burundi banks. Authority responsible: BRB	MT	**ONG-Ongoing**	The FSSR mission suggests three-year priorities to the BRB (FY2025-2028) and after these three years the BRB will be able to pursue the other projects set out in the roadmap from the 2022 TA report, which provided a five- to seven-year program.
	On-site credit risk inspection methodology in credit institutions **22MMR9500**			**FY 2022**
1	Reexamine the draft methodological guide on on-site credit risk inspection (Annex 1) to validate its final version. Authority in charge: BRB	I	**FA-Fully achieved**	Methodology in place (a manual) and used by on-site inspectors.
2	Perform credit reviews based on the principles described in Annex 3 of the methodological guide to select the files according to risk criteria and better reflect the nature of the various activities carried out by credit institution. Use an analytical table of the credit files based on the model provided in Annex 4 of the methodological guide.	July 31, 2022	**ONG-Ongoing**	Need to complete credit portfolio sampling with the help of TA.

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Authority in charge: BRB			
3	Use a structured reporting plan covering the various credit risk topics based on the model provided in Annex 6 of the methodological guide. Authority in charge: BRB	July 31, 2022	**ONG-Ongoing**	Need to complete credit portfolio sampling with the help of TA.
4	If weaknesses are observed, in particular with regard to regulatory provisions, formalize assessments (references to regulations, conditions, primary causes, impact) using the model provided in Annex 5 of the methodological guide. Authority in charge: BRB	July 31, 2022	**ONG-Ongoing**	Need to complete credit portfolio sampling with the help of TA.
5	During the credit risk review, seek a fair balance between the resources allocated to the review of credit files and those assigned to analysis of governance, organization and processes for analyzing applications for credit, and granting/management/monitoring of credits. Authority in charge: BRB	July 31, 2022	**ONG-Ongoing**	Need to complete credit portfolio sampling with the help of TA.
	ICAAP circular and guidance on stress testing 22MMQ6800			**FY 2022**
1	Finalize the internal ICAAP circular review and validation process, carry out a consultation of the banking sector, take into account all the relevant comments, make any adjustments, and publish the circular for implementation by the banking sector with a sufficient time horizon. Authority in charge: BRB	MT	**ONG-Ongoing**	Given the priority assigned to the strengthening of expertise of the supervisors, the FSSR mission suggests not including this in the FSSR priorities. The mission proposes work on the recovery plans as a priority (see workstream “crisis management and financial safety net” work area) which are, moreover, EAC criteria.
2	Finalize the process of internal validation and review of the guidelines on crisis simulation programs (“stress tests”), carry out a consultation with the	MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	banking sector, take into account all the relevant comments, make any adjustments, and publish them for implementation by the banking sector with a sufficient time horizon. Authority in charge: BRB			
3	Finalize the process of internal review and validation of Circular 23/2018 on risk management, carry out a consultation of the banking sector, take into account all the relevant comments, make any adjustments, and publish the circular for implementation by the banking sector with a sufficient time horizon. Authority in charge: BRB	MT	**ONG-Ongoing**	
4	Make a first assessment of the risk profiles of the banks applying the BRB's rating methodology ("SEPREC"). Authority in charge: BRB	ST	**ONG-Ongoing**	
5	Develop ILAAP regulations. Authority in charge: BRB	MT	**ONG-Ongoing**	
6	Consider the development of a methodology specific to the BRB for the definition of Pillar 2 quantitative requirements for credit institutions. Authority in charge: BRB	MT	**ONG-Ongoing**	
7	Continue the training of supervisory teams covering the new concepts and tools introduced by the new ICAAP regulations and stress tests. Authority in charge: BRB	MT	**ONG-Ongoing**	
	Revision of the regulatory prudential and accounting framework for credit institutions with a view to transposing IFRS9 (classification and provisioning of credits) **Revision of the BRB's draft prudential circular relating to payment institutions.** **20MMI0207**			**FY 2021**

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Implementation of the roadmap for IFRS9			
1	Update the regulations (Circular 12/2018 on classification and provisioning of loans, Circular 16/2018 on statutory auditors – CACs) and Circular 24/2019 on the publication of financial information by credit institutions, as well as the chart of accounts of credit institutions, according to IFRS9. Sections 27-44, (Part IV – Chapters B and C) Annexes 1 and 2 Authority in charge: BRB (Technical assistance from AFRITAC Central) *This recommendation had been partially implemented at the end of the mission covered in this report. A draft revised circular was completed accordingly and sent to the BRB for finalization. A revised draft circular on the CACs was also prepared. The circular on the publication of the financial information had not been reviewed at this stage. The chart of accounts will be reviewed by an external consultant currently being hired by the BRB. He/she will be able to use the preliminary work carried out during this mission.*	ST	**ONG-Ongoing**	See above.
2	Set up a Joint Technical Committee of the BRB with the banking profession led by the IFRS9 team and organize regular meetings with the Committee during the stages of dissemination of and transition toward IFRS9 to ensure the support and active involvement of the banking profession to apply IFRS9. Authority in charge: BRB	ST	**ONG-Ongoing**	
3	Set up an IFRS9 team within the BRB directed by a Project Manager, allocate the appropriate means and resources to it for the whole duration of the IFRS9 project. Formalize an internal procedure covering its tasks and objectives.	ST	**ONG-Ongoing**	See above.

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Authority in charge: BRB *Implementation of recommendation currently underway. A project manager has been appointed accordingly.*			
4	Formalize a strategic IFRS9 plan for the banking sector approved by the Governor of the BRB and published after consultation with the profession, providing a deadline after which credit institutions will have to comply fully with the BRB's requirements concerning submission of financial statements according to IFRS9 following a transition phase to be determined. Authority in charge: BRB	ST	**ONG-Ongoing**	
5	Verify the actual existence of a dedicated IFRS9 technical team at each supervised institution to manage the migration to IFRS9. Authority in charge: BRB	ST	**ONG-Ongoing**	
6	Organize an information seminar with high-level representatives of the banking profession in order to explain the expectations of the BRB relating to the application of IFRS9 and to raise awareness among senior management of the expected quality of the financial statements according to IFRS9. Authority in charge: BRB (Technical assistance from AFRITAC Central)	ST	**ONG-Ongoing**	
7	Ask each supervised institution to set forth a practical action plan with well-defined steps and a clear timetable for the appropriate application of IFRS9, the elements of which must be communicated to the BRB. Authority in charge: BRB	MT	**ONG-Ongoing**	
8	Organize regular bilateral meetings with the general management and the technical teams of each credit institution in order to monitor the state of progress of	MT and LT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	the IFRS9 project compared with the action plan of the credit institution concerned. Authority in charge: BRB			
9	Ask each bank to ensure that its financial and accounting officials have proven experience with IFRS9 (and IFRS in general). Require that each institution establish a capacity building policy to this end as soon as possible. Authority in charge: BRB	MT	**ONG-Ongoing**	
10	Ask the credit institutions to plan and carry out a training program for staff and manager to ensure their ownership of IFRS9 and their involvement in the IFRS9 project to strengthen the integrity of the accounts preparation process. Authority in charge: BRB	MT	**ONG-Ongoing**	
11	Require the statutory auditors (CACs) to train the teams assigned to the certification of credit institutions' accounts in IFRS9. The CACs should provide the BRB with evidence of their capabilities. Authority in charge: BRB	ST	**ONG-Ongoing**	
12	Train the BRB's bank supervisors in IFRS9 to build their capacities (i) to lead the reform (for the members of the IFRS9 unit), (ii) to review the institutions' action plans relating to the application of IFRS9, and then (iii) to check and analyze the financial statements provided according to IFRS9 (and IFRS7). Authority in charge: BRB (Technical assistance from AFRITAC Central)	ST and MT	**ONG-Ongoing**	
13	Carry out an IFRS9 impact study, in particular on the financial position, profitability, solvency, and liquidity at each institution according to a framework established by the BRB. Authority in charge: BRB	ST	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Payment Institutions			[31]
14	Resume the preparation of draft Circular 4/EP/21 on the prudential standards applicable to payment institutions (PI), and the draft guide for granting digital credits, taking into account the comments of AFRITAC Central. Authority in charge: BRB	June 30, 2021	**ONG-Ongoing**	Draft regulation suspended with the reorganization (establishment of the DSP in 2023) and projects with the World Bank.
15	Set up regulatory template reports specific to PIs including the "classic" prudential and accounting reports and a report on the monitoring of segregation of customer funds. Authority in charge: BRB	June 30, 2021	**ONG-Ongoing**	
16	Consult with the profession on the regulatory requirements provided in the final version of the draft of Circular 4/EP/21 on prudential standards applicable to payment institutions, and the draft of the guide for granting digital credits (to be renamed). Authority in charge: BRB	December 31, 2021	**ONG-Ongoing**	
17	Prepare the regulatory framework on the guarantee fund for digital credits after having carried out an in-depth preliminary study to establish the legal and organizational formula best adapted to the aims of the relevant authorities in Burundi. Authority in charge: BRB	MT	**ONG-Ongoing**	
	On-site operational risk inspection methodology in credit institutions **20MMI0208**			**FY 2021**

[31] Subject: "revision of the drafts of two new regulatory texts prepared by the BRB about the prudential requirements applicable to payment institutions (PIs) and the granting of 'digital credits'."

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
1	Reexamine the draft methodological note on on-site operational risk inspection (Annex 1) to validate its final version. Authority in charge: BRB	I	**FA-Fully achieved**	Methodological note and implementation during an on-site inspection (pilot mission) to finalize the methodological note.
2	Finalize the review of the methodological note on on-site IT risk inspection (submitted to the BRB in October 2018) and validate it. Authority in charge: BRB	March 31, 2021	**ONG-Ongoing**	
3	Finalize the report on the pilot on-site inspection mission carried out by the BRB at a large domestic bank in November 2020. Authority in charge: BRB	I	**FA-Fully achieved**	
4	Program and carry out a general campaign of on-site operational risk inspection missions at the most significant credit institutions or those most exposed to this risk. Authority in charge: BRB	ST	**ONG-Ongoing**	
5	If necessary, according to the feedback on the experiences from this campaign of missions, appraise whether it is appropriate to develop operational risk supervision policy, for example by (i) publishing guidelines (recommendations) for the banking profession to describe the expectations of supervisors with regard to control of operational risk; (ii) fine-tuning the regulatory requirements already introduced in Circular 23/2018; or (iii) developing information exchanges with the other supervisory and oversight authorities concerned, both in Burundi and abroad. Authority in charge: BRB	MT	**ONG-Ongoing**	
	Methodology for on-site inspection of data quality control and the accounting function in credit institutions			**FY 2021**

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	20MMI0206			
1	Reexamine the draft methodological guide on on-site inspection of the accounting function and the reporting process to validate its final version. Authority in charge: BRB	I	**ONG-Ongoing**	
2	Finalize the report on the pilot on-site inspection mission carried out by the BRB at a bank in April 2021. Authority in charge: BRB	I	**FA-Fully achieved**	
3	Program and carry out a campaign of on-site inspection missions reviewing the accounting function and the reporting process at the credit institutions with the highest risk profiles. Authority in charge: BRB	MT	**ONG-Ongoing**	Need to train teams in advance in aspects of accounting (training planned by AFC in FY 2024).
4	According to the feedback of this campaign of missions, fine-tune the procedures for supervision of the accounting function and the reporting process, for example by publishing guidelines (recommendations) for the banking profession to inform them of the BRB's expectations with regard to control of the associated risks. Authority in charge: BRB	MT	**ONG-Ongoing**	
	Implementation of IFRS9 Credit institution rating methodology **18MMA8523**			**FY 2020**
1	Formally validate the SEPREC rating methodology guide at the appropriate level of the BRB. Authority in charge: BRB	ST	**ONG-Ongoing**	See comments above. Validated at the DSS level and submitted to BRB senior management.
2	Test the SEPREC methodology by performing the rating of one or more credit institutions (pilot phase), then finally validate the user guide after having taken into account the experience feedback as required.	ST	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Authority in charge: BRB			
3	Conduct a campaign of rating all credit institutions based on the annual accounts for FY2019. Authority in charge: BRB	ST	**FA-Fully achieved**	See SEPREC above.
4	Undertake an overall feedback exercise to review all of the operational methods of internal banking supervision at the BRB (off-site inspection, on-site inspection, early interventions) in order to maximize the added value of rating. Authority in charge: BRB	MT	**ONG-Ongoing**	
5	Update the regulations (Circular 12/2018 on classification and provisioning of loans, Circular 16/2018 on external auditors - CACs) and Circular 24/2019 on the publication of financial information by credit institutions, as well as the chart of accounts of credit institutions, according to IFRS9. Authority in charge: BRB	ST/MT	**ONG-Ongoing**	See IFRS9 above
6	Set up a Joint Technical Committee of the BRB with the banking profession led by the BRB's IFRS9 team and organize regular meetings with the Committee during the stages of dissemination of and transition toward IFRS9 to ensure the support and active involvement of the banking profession to apply IFRS9. Authority in charge: BRB	ST/MT	**ONG-Ongoing**	
7	Set up an IFRS9 team within the BRB directed by a Project Manager, allocate the appropriate means and resources to it for the whole duration of the IFRS9 project. Formalize an internal procedure covering its tasks and objectives. Authority in charge: BRB	ST	**ONG-Ongoing**	
8	Formalize a strategic IFRS9 plan for the banking sector approved by the Governor of the BRB and published after consultation with the profession,	ST	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	providing a deadline after which credit institutions will have to comply fully with the BRB's requirements concerning submission of financial statements according to IFRS9 following a transition phase to be determined. Authority in charge: BRB			
9	Verify the actual existence of a dedicated IFRS9 technical team at each supervised institution to manage the migration to IFRS9. Authority in charge: BRB	ST/MT	**ONG-Ongoing**	
10	Organize an information seminar with high-level representatives of the banking profession to explain the expectations of the BRB relating to the application of IFRS9 and to raise awareness among senior management on the expected quality of the reports according to IFRS9. Authority in charge: BRB	ST	**ONG-Ongoing**	
11	Ask each supervised institution to set forth a practical action plan with well-defined steps and a clear timetable for the appropriate application of IFRS9, the elements of which must be communicated to the BRB. Authority in charge: BRB	MT	**ONG-Ongoing**	
12	Organize regular bilateral meetings with the general management and the technical teams of each credit institution to monitor the state of progress of the IFRS9 project compared with the action plan of the credit institution concerned. Authority in charge: BRB	MT/LT	**NA-Not Achieved**	
13	Ask each bank to ensure that its financial and accounting officials have proven experience with IFRS9 (and IFRS in general). Require that each institution establish a capacity building policy to this end as soon as possible. Authority in charge: BRB	ST/MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
14	Ask the credit institutions to plan and carry out a staff and manager training program to ensure their ownership of IFRS9 and their involvement in the IFRS9 project to strengthen the integrity of the accounts preparation process. Authority in charge: BRB	MT/LT	**ONG-Ongoing**	
15	Require the statutory auditors (CACs) to train the teams assigned to the certification of credit institutions' accounts in IFRS9. The CACs should provide the BRB with evidence of their capabilities. Authority in charge: BRB	MT/LT	**ONG-Ongoing**	
16	Train the BRB's bank supervisors in IFRS9 to build their capacities (i) to lead the reform (for the members of the IFRS9 team), (ii) to review the institutions' action plans relating to the application of IFRS9, and then (iii) to check and analyze the financial statements provided according to IFRS9 (and IFRS7). Authority in charge: BRB	ST/MT/LT	**ONG-Ongoing**	
17	Carry out an IFRS9 impact study, in particular on the financial position, profitability, solvency, and liquidity at each institution according to a framework established by the BRB. Authority in charge: BRB	MT	**ONG-Ongoing**	
18	Program and carry out thematic on-site inspection missions on the implementation of IFRS9 in supervised institutions, reviewing as a priority their system and practices for recognition, classification, and provisioning of loans. Authority in charge: BRB	LT	**ONG-Ongoing**	
19	Decide on the appropriate prudential measures and, in fact, announce sanctions for credit institutions that fail to submit their financial statements in accordance with IFRS9 or whose statements, once	LT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	submitted, contain unacceptable deficiencies in quality in this regard. Authority in charge: BRB			
	Implementation of risk-based supervision in the banking sector **18MMA8524**			**FY 2020**
1	Review the roadmap proposed to finalize the actual implementation of risk-based supervision (see Annex 1) to adjust the recommendations if appropriate. Prepare a summary of the reasons for the proposed reform and have the roadmap validated by the BRB board. Draw up an operational action plan including the specific indication of the work to be carried out with practical details for its implementation and the completion time lines (short, medium, or long term, accordingly). Authority in charge: BRB	ST	**FA-Fully achieved**	See SEPREC above.
2	Publish a revised version of the template report on internal control and risk management to be submitted annually to the BRB by the credit institutions. Authority in charge: BRB	ST	**ONG-Ongoing**	Annual internal control report structure published but need to update SEPREC.
3	Finalize the improvement of the credit institution oversight indicators using the following steps: (i) establish a project team; (ii) set out the list of oversight indicators considered to be relevant for ongoing off-site supervision; (iii) define the procedures for calculating the indicators chosen as well as the relevant warning thresholds to place on the most sensitive ones; (iv) configure the oversight and warning indicators in the BRB's information system to automate their production.	MT	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	Authority in charge: BRB			
	Review of banking supervision indicators Training in supervision of payment institutions 18MMA8534			**FY 2020**
1	Prepare and publish the prudential circulars implementing Regulation 001/2017 on payment services and activities of payment institutions with regard to (i) the prudential ratios and (ii) the qualitative prudential requirements relating to governance, internal control, and risk management should the aforementioned regulation not be sufficiently detailed in this regard to be directly applicable. At the same time prepare the templates of prudential and accounting reports to be submitted by the payment institutions to the BRB. Authority in charge: BRB	ST	**ONG-Ongoing**	
2	Undertake the operationalization of the oversight and warning indicators for credit institutions in the BRB's information system in accordance with the steps outlined in the report. Authority in charge: BRB	6/30/2020	**ONG-Ongoing**	
3	Use the oversight and warning indicators to supplement and improve the off-site inspection analyses and develop discussions with the payment institutions under supervision. Authority in charge: BRB	ST	**ONG-Ongoing**	
4	Review the banking supervision scoreboard based on a selection of relevant indicators once they have been brought into operation. Authority in charge: BRB	ST	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
5	Finalize the preparation of the methodological note on supervision of payment institutions in accordance with the structure proposed by AFRITAC Central. Authority in charge: BRB	MT	**ONG-Ongoing**	
6	Develop regular meetings of the BRB with each payment institution so as to monitor closely the development of their activities, their financial position, their profitability, and control of the various risks to which they are exposed, based on the points of note and points to check highlighted in the methodological note. Undertake targeted on-site inspections of payment institutions starting with those showing the most worrying factors of weakness. Authority in charge: BRB	ST	**ONG-Ongoing**	
	Training of bank supervisors in payment services and IT risk control **18MMA8516**			**FY 2019**
1	The BRB should ensure that the supervisors who have received training in IT risk control and supervision of payment institutions and payment services pass on the knowledge they have gained as well as the documentation received to the relevant colleagues who remained in Burundi. Section 23	I	**ONG-Ongoing**	Extreme staff turnover.
2	The BRB should prepare a program of supervision to develop assessment and inspection of the institutions' IT risk based on the IT risk inspection guide provided by AFRITAC Central.	12/31/2018	**ONG-Ongoing**	
3	The BRB should finalize the preparation of the methodology for inspecting payment institutions and payment services based on the aide-mémoire provided by AFRITAC Central.	3/31/2019	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
4	The BRB should carry out on-site inspection in payment institution and payment services.	6/30/2019	**ONG-Ongoing**	
5	The BRB should clarify its policy with regard to the requests of various telecommunications operators to obtain the authorization to grant electronic credits, while giving this risky topic cautious consideration.	6/30/2019	**ONG-Ongoing**	
	Revision of the methodology for rating credit institutions according to their risk profiles 18MMA8515			**FY 2019**
1	Carry out a review of the quantitative thresholds and questionnaires embedded in the rating tool to finalize the fine-tuning proposed during the mission.	3/31/2019	**FA-Fully Achieved (January 2024)**	See SEPREC above.
2	Collect the prudential and accounting reports as at December 2018 as well as the internal control reports from FY 2018 for all the institutions subject to rating.	04/31/2019	**FA-Fully achieved**	
3	Check the quality of the quantitative data provided by the institutions and correct them, as necessary; obtain the additional qualitative information required for rating.	5/31/2019	**FA-Fully achieved**	
4	Perform the rating of all the credit institutions based on the validated information.	6/30/2019	**FA-Fully achieved**	
5	Upon completion of this first rating exercise, undertake a review of the experiences, identify any needs for adjustment of the rating process, then have the SEPREC rating tool validated after making any fine-tuning adjustments, if necessary.	8/31/2019	**ONG-Ongoing**	
6	Ensure IT-related security of the use of the rating tool (protection of the format and calculation formulas, in particular).	6/30/2019	**ONG-Ongoing**	
7	Draw up IT specifications to enable processing in the SEPREC system to be automated.	12/31/2019	**ONG-Ongoing**	

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
8	Enhance the structure of the annual regulatory report on the internal control and risk management system.	12/31/2019	**ONG-Ongoing**	
9	Finalize the preparation of the methodological guide on credit institution rating using the SEPREC system.	12/31/2019	**ONG-Ongoing**	
10	Undertake an overall review of the operational methods for the BRB's off-site supervision based on the revised rating process in order to implement risk-based supervision. Draw up an off-site supervision manual supplementing the credit institution rating methodology guide.	12/31/2020	**ONG-Ongoing**	
11	Also adjust the BRB's on-site inspection methodology so that the findings noted in the on-site inspection reports usefully enhance the revised rating process according to the same approach used in risk-based supervision.	12/31/2020	**ONG-Ongoing**	
12	Clarify the role and responsibilities of the BRB with respect to the supervision of credit institutions in the area of combating money laundering and financing of terrorism so as to be able to take into account the AML/CFT area and assess the associated risks in the revised rating process.	12/31/2019	**FA-Fully achieved**	
13	Finalize the revised draft BRB circular on prompt corrective actions.	12/31/2019	**ONG-Ongoing**	
	Review of the revised draft circulars implementing Law 1/17 of August 22, 2017 (Banking Law) **18MMA8506**			**FY 2019**
1	Review the AFRITAC Central comments transcribed in the draft revised BRB circulars shown in the	ST	**FA-Fully achieved**	Series of implementing regulations of the 2017 banking law. AFC recommendations partially followed,

No.	Recommendations	Timeframe [29]	Implementation of the Recommendation (FA-Fully Achieved; PA-Partially Achieved; ONG-Ongoing; NA-Not Achieved)	MCM comments
	annex to this report to determine the appropriate follow-up action required.			creating deviations from the international standards.
2	Formally consult the banking profession on the drafts consequently amended and review the comments received in return to assess the follow-up action required.	ST	**FA-Fully achieved**	
3	Publish the revised circulars on the BRB website after they have been finalized specifying, as necessary, a reasonable period allowed for supervised institutions to comply.	ST	**FA-Fully achieved**	All the regulatory texts appear on the BRB website with updates.
4	Plan to carry out a review of the status of implementation of the revised circulars after a period of two to three years of being in effect, in order, if appropriate, to adjust the regulatory requirements to the lessons learned from the experience noted, when the time comes.	LT	**NA-Not Achieved**	Proposed in the TARM at end of cycle.
	Financial safety net, crisis preparedness and management			
	No technical assistance on this topic over the past five years.			
	Institutional Framework for Financial Stability			
	No technical assistance on this topic over the past five years.			

Appendix 3- Financial Soundness Indicators (National)[32]. Assessment of Financial Sector Statistics[33]

Burundi: Banking System, Financial System Indicators (national), 2019–22
(percent, unless otherwise indicated)

	2019	2020	2021	2022
Capital Requirement				
Capital requirement over weighted assets (solvency ratio)	21.6	23.8	23.0	19.0
Core capital (Tier 1 capital) over weighted assets	20.2	22.4	21.6	17.5
Quality of assets				
Nonperforming loans (percent of total gross loans granted)	5.6	5.4	3.5	2.8
Provisions (percent of nonperforming loans)	86.9	69.2	54.3	46.1
Nonperforming loans net of provisions (percent of capital)	2.1	4.4	5.4	5.6
Large exposures (percent of capital)	78.6	51.1	66.7	127.7
Profitability rates				
Return on assets	4.1	3.9	3.6	3.0
Return on equity capital	36.5	32.3	29.1	25.4
Net interest (percent of gross results)	64.1	70.7	67.8	70.5
Costs excluding interest (percent of gross outturn)	43.6	47.9	48.5	48.9
Liquidity				
Liquid assets (percent of all loans granted)	31.8	28.8	14.3	21.4
Liquid assets (percent of total risk weighted assets)	19.7	18.0	11.0	15.3
Liquid assets (percent of short-term commitments)	18.1	15.5	10.8	16.9
Exposure to foreign currency				
Foreign currency loans to total gross loans	7.5	14.9	9.8	11.4
Foreign currency liabilities to total liabilities	8.9	11.5	10.4	10.5
Net open position in foreign exchange to equity	9.3	17.0	2.8	-6.5

Source: BRB

FSIs and monetary and financial statistics (MFS) are the two key sets of statistics collected and disseminated by the IMF through its Statistics Department (STA), that are useful for an analysis of financial sector stability. MFS are often used to develop the Balance Sheet Approach (BSA) matrices in member countries' economies, providing a useful starting point to diagnose risks and potential transmission channels of shocks.[34]

This appendix aims to present an overall assessment of Burundi's FSIs and MFS and the ongoing projects to address methodological issues and the timeliness of data dissemination.

[32] These indicators are not from the IMF database but produced by the BRB.

[33] Written by Andre Mialou, STA.

[34] See IMF Policy Paper, June 2015, "Balance Sheet Analysis in Fund Surveillance," https://www.imf.org/external/np/pp/eng/2015/061215.pdf.

Financial Soundness Indicators

FSIs are indicators of the current financial health and soundness of the financial institutions in a country, and of their corporate and household counterparts. In support of macroprudential analysis, the methodology proposed in the IMF *FSIs Compilation Guide*[35] covers both aggregated individual institution data and indicators that are representative of the markets in which the financial institutions operate.

Burundi stopped disseminating FSIs in 2019. With technical assistance from STA, the BRB developed a set of twelve core FSIs and nine additional ones for the banking sector, compiled using the *2006 FSIs Compilation Guide's methodology*. The data was regularly reported to STA for dissemination on the IMF's website. However, in 2019, the central bank ceased disseminating its FSIs, citing the need to upgrade their compilation framework to meet the latest international standards set up in the *2019 FSIs Compilation Guide*.

Responding to the BRB's request for assistance, STA has been working with the central bank in the past few months in upgrading the compilation framework. Two combined FSIs-MFS technical assistance missions conducted in January and November 2023 have initiated work to upgrade the compilation framework to the 2019 FSI Guide's methodology. As part of the discussions, the missions engaged in an in-depth review of the FSI compilation process and made recommendations to enhance the quality of the FSIs. Some of these recommendations include: (i) ascertaining the robustness of the revaluation of fixed assets approaches adopted by banks to minimize the risk of overestimating the value of these assets in Tier 2 capital; (ii) strengthening the review of bank data on cross holdings and their deduction from Tier 1 capital to enhance capital based FSI ratios quality; and (iii) updating the list of financial instruments eligible for inclusion in liquidity indicators.

In upgrading its FSI compilation framework to the 2019 FSIs Guide's standards, the BRB is developing new bridge tables mapping bank call reports to the FSIs template. Leveraging the wealth of information contained in the new bank call reports adopted by banks following the adoption of parts of the Basel III regulatory framework in 2018, the BRB has opted for the development of new bridge tables mapping bank source data to the FSI templates. By mapping the original granular source data, rather than relying on aggregated headline source data as in the previous framework, the new compilation system will ensure adaptability to future alterations in the regulatory framework that may restructure atomic item groupings and alter headline item composition.

With STA's assistance, the BRB is streamlining the compilation process by developing a fully automated compilation system. The new system is expected to reduce human errors arising from manual interventions and improve the timeliness of disseminating the FSIs. It integrates essential functionalities, enabling the extraction of extended time series of source data across various granular layers, thus facilitating the seamless validation of the data. This work is expected to be completed by mid-2025 and the BRB plans to resume the regular dissemination of the FSIs by end-December 2025.

Monetary and financial statistics

The BRB reports monthly monetary data using standardized report forms (SRFs) for the central bank (SRF 1SR), other depository corporations (ODCs) (SRF 2SR); and other financial corporations (OFCs) (SRF 4SR). These SRFs broadly accord with the concepts and definitions of the *Monetary and Financial Statistics Manual and Compilation Guide 2016* (*MFSMCG 2016*). The institutional coverage of 2SR currently includes 14 commercial banks and 29 deposit taking microfinance institutions

[35] See IMF Financial Soundness Indicators Compilation Guide, 2019. https://www.imf.org/en/Data/Statistics/FSI-guide

(MFIs). Banks hold about 87 percent of ODCs' total assets, while deposit taking MFIs account for the remaining 13 percent. The BRB is currently exploring options for including mobile money in MFS. In Burundi, there are currently two types of electronic money issuers: three independent subsidiaries of telecommunications companies offering mobile money to households, and five banks issuing mobile money to their clients. Electronic money constitutes approximately 3 percent of broad money, with transactions guaranteed by bank deposits. Nonfinancial electronic money issuers are required to open a trust account or special account in a commercial bank, microfinance institution, or the post office. The institutional coverage of 4SR includes 14 insurance corporations and one development bank.

One major data shortcoming is the incomplete central bank account information, stemming from the adoption of a new accounting software. The BRB adopted a new accounting software in 2022 to replace its old information system that became obsolete due to the evolving activities of the central bank. However, the new software generates incomplete data, prompting manual data reconstruction by the central bank and increasing the risk of human errors.

The January and November 2023 MFS missions identified classifications and sectoring issues on both 1SR and 2SR. To address classification and sectoring issues for the 1SR, the mission recommended that the central bank trial balance be made available to MFS compilers for compilation of 1SR. For the 2SR, these data issues stem from the use of old bank call reports rather than the more granular source data from the recently adopted Basel III-based bank reporting forms. With STA's technical assistance, the BRB is tackling these data issues by developing new bridge tables and automating the MFS compilation process.