IMPACT OF BANK REFORMS ON EUROMEDITERRANEAN COUNTRIES

The reform process conducted by the Central Bank of Tunisia

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Table of contents

1. Brief overview of the banking sector in Tunisia
2. Main reforms we have undertaken
3. Challenges and outlook
Physiognomy of the banking sector in Tunisia

Supervisory authorities of the financial sector

Resident bank capital structure

- Actionnaires privés tunisiens: 38.9%
- Actionnaires étrangers: 28.7%
- Etat: 32.4%

Banks and finance companies

- Banques résidentes: 23
- Banques non-résidentes: 7
- Sociétés de leasing: 8
- Sociétés de factoring: 3
- Banques d’affaire: 2

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
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<tbody>
<tr>
<td>Total assets/ GDP</td>
<td>101%</td>
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<tr>
<td>Average solvency ratio</td>
<td>11.9%</td>
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<tr>
<td>Share of NPLs</td>
<td>15%</td>
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<tr>
<td>ROA (%)</td>
<td>1.2%</td>
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<tr>
<td>ROE (%)</td>
<td>14.2%</td>
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Main reforms

2011-2015
Enhancing financial foundations
- Collecting and additional provisions
- Raising the solvency ratio and reframing exposure standards
- Enhancing bank governance rules
- LCR

Reshuffling public banks
- Reworking the IC system for managing AML-CFT risk

2016-2020
- New legislation concerning the statute of the BCT
- New Bank Act
- ICAAP
- NSFR
- Capital requirements for operational risk
- Capital buffer (Basel III)
- IFRS
- Standard on related parties
- Directives on how to conduct internal ratings on counterparties
- Supervision on consolidated basis
- Revision of credit risk approach

Resolution of NPLs
- Reworking the circular for managing ML-FT risks
- Reworking reporting
- Capital requirements for market risk
- Resolution of NPLs
Main reforms

Redesigning the statute of the Central Bank

01. Enhancing the independence of the BCT for achieving its objectives and conducting its main functions

02. Recognition of the role of the BCT and its contribution to maintaining financial stability and preventing systemic risk by enabling the Central Bank to act as lender of last resort and setting up a macroprudential oversight and financial crisis management committee

03. Enhancing the role of the Banking services Observatory to reshape it as a Financial Inclusion Observatory

Reshaping the Bank Act

01. Reorganizing the banking market

02. Revising the conditions governing access to the industry and licensing

03. Enhancing prudential supervision

04. Introducing a full mechanism for managing difficulties

05. Setting up a deposit guarantee fund
Main reforms

Devising a national strategy for Financial inclusion by 2018-2022

BCT spearheads in-depth research on implementing a decashing and proposes an action plan for that purpose

Modernizing the legal framework for the emergence of new payment institutions

Tunisians have a preference for cash which has lead to an unprecedented increase in MCBs and a contraction of bank liquidity

*Promoting Digital Finance
*Developing Micro insurance
*Setting up a system for refinancing MFIs
*Building up a consensus culture on a solidarity-based and social economy
*Promoting financial literacy

- lowering the threshold for cash transactions
- promoting financial literacy
- Developing the use of electronic equipment in public administrations

Introducing an regulatory and operational framework for operating as a payment institution
Challenges & Outlook for banking regulations

1. Sector stability

2. Long lasting strategy for NPLs

3. Efficiency of the banking sector:
   - Rationalizing the presence of government in the sector
   - Improving the level playing field environment
   - Reshaping the sector

4. Improving the business environment:
   - Governance
   - Transparency
   - Infrastructure
Developing digital finance
Reconfigure the physiognomy of the sector via concentration and the emergence of new banking models

Need to rethink the role of government in the banking sector so as to find a middle path between the need to support public banks and the crucial need to promote competition on the banking marking.

Conduct a De-Cashing strategy
Enabling convergence of Tunisia's prudential regulations with Basel III standards by 2020
THANK YOU FOR YOUR ATTENTION