

Foro de Seguro de Depósitos de las Américas Americas Deposit Insurance Forum





INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO

Workshop on Self -Assessments

IPAB's Self-Assessment of compliance with the Core Principles

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- Objective: to review IPAB's compliance with CP after being granted new powers and responsibilities in the 2014 Financial Reform.
- To formally involve the areas, it was included in the program of internal evaluation as a strategic project.
- Began in August 2015. By start of December 2015 the team had accomplished:
 - Integration of the core team of people who all completed the FSI Tutorial
 - Coordination with IPAB's areas to request information through a questionnaire by specific CP
 - Scheduling of working sessions to discuss the answers with the corresponding experts within IPAB
 - Processing information and **deliver a first analysis**
 - **Preparing a report** which included ratings



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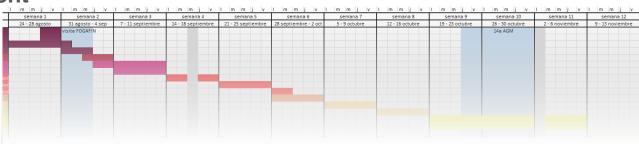




Timeline

12 weeks: end of August – mid-November 2015

- 1st week: assembling core team, administrative team and developing the work plan and format for information requirements
- 2nd week: e-mail to areas requiring information and supporting evidence
- 3rd week: Core team analysis of operating environment
- 4th 6th weeks: Face to face meetings with areas
- 7th week: core team's first evaluation and rating
- 8th to 12th weeks: first draft, corrections and final report
- 13th week: originally planned for an external assessor to review results







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Announcement of FSAP mission

- In the last quarter of 2015, the FSAP to Mexico was announced
- IPAB was in the process of performing its Self-assessment
- It was decided that a full assessment of compliance with the Core Principles would be part of the mission
- FSAP mission included in the strategic project
- Milestones:

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- The first time the updated CPs would be used in the context of an FSAP
- FSAP would provide a **immediate** and **unique opportunity** as an external validation of the results, as originally planned, but on a broader context of the full review of Mexican financial sector

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FSAP

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- Mexico is among the 29 jurisdictions with systemically important financial sectors for which the IMF has made it mandatory to undergo assessments under the FSAP every five years
- Last mission to Mexico was in 2011. In January 2016, the FSAP mission began
- As an annex to the complete FSAP Technical Note on Crisis Preparedness, the mission published an <u>Assessment of Compliance with the CP</u>
- The FSAP analysis was built on the work performed in the self-assessment
- FSAP team was to deliver the recommendations to address the gaps







Review by FSAP

- Provided IPAB with the opportunity to compare our analysis with that from the FSAP mission
 - Validated our findings or

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- Recast the gaps in our report in a different light
- It should be noted this was a review that was linked to the entire financial sector; not only IPAB. In that sense, most findings:
 - Apply to the financial sector as a whole due to the design of structural framework: Governance and Crisis Management issues are found throughout the sector
- Produced a series of recommendations which are the basis for the action plan.





• Different approach in grading by the FSAP mission

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- Although both IPAB's core team and FSAP mission produced fairly similar ratings for overall CPs (**Compliant** and **Largely Compliant** for most), main differences were found in ratings of essential criteria, and the focus of the gaps in compliance.
- The main significant differences in rating were found in:
 - **Core Principle 3 Governance**; regarding the structure of the Governing Board and the lack of a fixed term for the head of IPAB
 - Core Principle 9 -- Sources and Uses of Funds; regarding the use of funds for payment of the legacy debt of the 94-95 financial crisis thus limiting the build up of the fund, no target fund ratio and no limit to the amount IPAB must contribute for recapitalizing a systemic bank



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Considering the nature of the recommendations:

- FIRST criteria is dividing which ones can be implemented in the short, medium or long term
- KEY criteria lies in:
 - Those that can be addressed by IPAB itself, and
 - Those that require a change in policy by the government

Therefore:

- Develop a work plan with short and medium term specific deliverables
- Consider those recommendations which imply a legal reform and prepare for a next round of reforms (*bridge bank, P&A*)



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Summary of action plan

Actions to implement short term recommendations for

- Core Principles **1**, **5**, **6**, **7**, **8** and **10** are being addressed in-house through several mechanisms:
- Issuing an annual report and internal guidelines, expanding the scope of MOUs, developing a contingency plan along the FSN, developing analysis, etc.

Actions to implement long term recommendations

 Core Principles 3, 9, 14 and 15 require a change in policy and probably a new wave of reforms to the law.







Conclusions

- Provided IPAB with the best possible validation for our self assessment.
- Validation by FSAP report may provide leverage before Mexican authorities to implement reforms
- Beyond a simple issue of grading, and complying with a standard, it becomes a process of reflecting on core issues.
- Provides insight with objectivity in order to reframe key aspects of the institutional framework, and also, for the whole sector's structural policy foundations.

Thank you! Gracias!

