

TERMS OF REFERENCE

[Individual Consultant]

Consulting Service for the Implementation of Risk Based Supervision - Central Bank of Sri Lanka

1. BACKGROUND

The Government of Sri Lanka has embarked on a modernization of the financial sector with the objective of creating a financially conducive platform for small businesses, entrepreneurs and individuals through increased financial market efficiency. This progression encompasses modernization of the financial market infrastructure, upgrading the legal and regulatory framework for the financial system, and strengthening the institutional capacity of financial sector regulators-the Central Bank of Sri Lanka (CBSL), the Securities and Exchange Commission of Sri Lanka (SEC), and the Sri Lanka Insurance Regulatory Commission (SLIRC). For this purpose, the Government of Sri Lanka has sought the support of development partners such as the World Bank to provide technical and financial support to activities aimed at developing the financial sector. The World Bank agreed to support a Project [known as “Sri Lanka Financial Sector Modernization Project” (FSMP)] over a period of 5 (five) years, with the 3 (three) financial sector regulators as the implementing partners.

In this regard, CBSL (hereinafter referred to as the Client), as the lead regulatory authority of the financial sector has decided to improve its existing Risk Based Supervision (RBS) framework to keep abreast of changing supervisory needs, to effectively supervise Sri Lanka’s expanding financial sector and increase financial inclusion and regional expansion. This assignment is in line with the Bank Supervision Department’s strategic priority to promote a dynamic and resilient financial sector to support sustainable growth. Likewise, the Client plans to move to a consolidated supervisory regime in the long term.

2. OBJECTIVE OF THE ASSIGNMENT

The objective of this assignment is to improve the existing RBS framework by enhancing the quality and robustness of the Client’s supervisory methodology, the supervisory processes and the skills of its supervisory staff. The duration of this assignment is two years.

3. SCOPE OF WORK

3.1 The Consultant shall carryout capacity building of staff by:

- a) Providing a good understanding of the benefits and challenges in moving to a fully-fledged RBS framework;
- b) Highlighting to the Client’s management, the key success factors associated with the design, development and implementation of an RBS framework;
- c) Providing recommendations to the Client’s management on a suitable RBS framework with a comparison of the different available frameworks; and
- d) Providing the Client’s senior to mid management staff, a 2 to 3-day presentation on the proposed RBS framework concepts, principles and approach and assist in identifying a suitable RBS framework.

The objective is for the Client to obtain a better understanding of the proposed RBS framework and to determine how it can be best adapted to meet the needs of the Client and the domestic banking system.

3.2 The Consultant shall provide guidance on:

- i. Revisions to off-site financial data requirements;
- ii. Developing a supervisory stress testing tool and incorporate outputs into the RBS framework;
- iii. Options for any organizational or supervisory process (i.e. planning, on site, off site, reporting and intervention) ; and
- iv. Any changes to the existing legal and regulatory framework in order to implement the RBS framework.

3.3 The Consultant shall assist the Client in drawing up a TOR for the training provider and selecting a suitable RBS training provider.

3.4 The Consultant shall advise the Client on the engagement of the selected RBS training provider.

3.5 The Consultant shall review the Client's project plan covering the 2 years to ensure that it covers all the essential components required for a successful implementation of RBS along with key milestones and timelines.

3.6 The Consultant shall monitor and report to the Client, on the training activities of the training provider after each of their visits. This would include information on whether the project is on track as well as identify any concerns along with suggestions for resolution.

3.7 The Consultant shall advise the Client on the broader roll out plans of the RBS framework.

3.8 The Consultant shall give preliminary guidance on incorporating consolidated supervision activities into an RBS framework once developed.

In the event that the Consultant's services are required post implementation of the RBS Framework, a separate TOR would be drawn up to cover that work.

The Consultant shall assist and provide advice to the Client, during all phases of the assignment: planning, design, development, and eventual implementation and roll out of the RBS framework for the banking sector.

In addition, the Consultant shall give preliminary guidance on how to incorporate Consolidated Supervision and Basel III capital assessments under an RBS framework.

4. DELIVERABLES AND TIME SCHEDULE

PHASE 1

- a) An updated report with recent information based on the report prepared by the World Bank in June 2017 "Preliminary Assessment of the Bank Supervisory Framework of the Client".
- b) A report/presentation on the benefits and challenges in designing, developing and implementing an RBS framework.
- c) A presentation to relevant senior and mid-level supervisory staff on the proposed RBS framework concepts, key principles and general approach.
- d) Prepare a report on the following:
 - Any specific needs that should be considered by the Client prior to embarking on the project.
 - The key expectations of the Client, for selecting a Training Provider for the project.
 - A list of the identified pilot banks, members of the pilot team and governance of the project.

-The key requirements for the Request for Proposal (RFP) to select the training provider for a transition to a fully-fledged RBS Framework.

- e) Assess potential training providers who submit RFPs, and submit a report in selecting a suitable vendor.

PHASE 2

- f) Engage in three way discussions with the successful vendor, the Client and ensure all agree on the scope, approach, timing and deliverables for the RBS project. More importantly, clarify and agree on accountabilities and expectations of each party and submit an action plan, which includes
 - i. the number of training visits, content and proposed timings
 - ii. the pilot banks chosen
 - iii. members of the project team
- g) Prior to each visit by the trainer conduct a high-level review of the agenda and the associated training material and submit a report with suggestions as necessary
- h) At the end of the training visit, discuss with the training provider and Client, any issues or challenges and submit a report with suggested solutions.
- i) Assess whether the project is on track and submit a continuous monitoring report to the Client monthly.

PHASE 3

- j) Conduct a presentation on the Client's communication strategy with the banking industry for the RBS roll out.
- k) Prepare a report on the following;
 - The development of guidance material to support the Client RBS framework
 - The proposed training plan, material and trainers for all staff
 - The coordination with other supervisory authorities on the roll out of consolidated RBS

At the end of the assignment, the Consultant shall submit to the Client all data received, obtained and used in the course of the assignment, including working papers and data analyses supporting the finding and recommendations in the report. This information shall be arranged systematically in separate folders and details of the files in each folder and the brief description of the data/information in each file should be listed in a control file (MS Word or MS Excel).

5. REQUIRED QUALIFICATIONS AND EXPERIENCE

The selected candidate should have the following skills and experience:

- a) At least 10 years of extensive experience in bank supervision.
- b) At least 5 years of consulting experience in the implementation of an RBS framework.
- c) Direct involvement in the planning, design, development and implementation of an RBS framework.
- d) Experience in advising in at least 2 or more countries in the successful implementation of an RBS framework.
- e) Have good knowledge and awareness of the global standards, guidance and principles, and good international practices in the respective areas of specialization.
- f) Have good oral and written communication skills in English.

6. TIMING/DURATION

The assignment will be for two years including six field visit of one week each.

Phase 1 – one field visit

Phase 2 – four field visits of one week each

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| <p>Phase 3 – one field visit</p> <p>The total number of days, i.e. field and home based will be 60-75 days.</p> <p>If unexpected events were to develop during the implementation of the project, and if requested by the Client, additional visits by the Consultant may need to be added.</p> |
| <p>7. METHOD OF PAYMENT</p> <p>Method of payment will be time based. The remuneration of the consultant will be made on submission of time sheets. Other agreed reimbursable payments will be made on actuals.</p> |
| <p>8. CLIENT’S INPUT AND COUNTERPART PERSONNEL</p> <p>The senior management and staff of the Client will proactively interact to facilitate the successful implementation of this assignment.</p> <p>The Consultant will be provided with counterpart personnel, office equipment and facilities during field visits.</p> <p>Emails and call conferencing will be the main mode of communication during home based working days.</p> |
| <p>9. INSTITUTIONAL SUPPORT</p> <p>The Client has established a Project Office to facilitate the consultancy assignment. The Consultant shall work in coordination with the project office and shall report to the Director Bank Supervision Department.</p> |
| <p>10. CONFIDENTIALITY STATEMENT</p> <p>All data and information received from the Client for the purpose of this assignment is to be treated confidentially and only to be used in connection with the execution of these Terms of Reference. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of the Client. The Consultant will be required to sign a Non-Disclosure Agreement in this regard at the point of accepting his job responsibilities.</p> |