



Sudan Presentation
the supervisory
framework for banks

Feb.2015

The presentation include :

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Sudan



Introduction



- The Bank of Sudan was established in 1959 ,its role have been developing gradually to strengthening the banks performance, maintaining confidence in the banking system, maintaining the stability of the banking sector and reinforcing the role of the banking sector in achieving the economic stability.
- The Sudanese financial system is dominated mainly by banking sector which constitute more than 90 % of the financial system.
- The system is fully fledged Islamic system since 2011 .

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It include about 37 banks :

- (7) foreign banks , representing 19% of total banks
- (26) joint venture banks , representing 70% of total banks
- (4) government banks (development) , representing 11% of total banks
- It also includes about (36) non banking financial institutions (NBFIs), And more than 30 Microfinance institutions

Legal and Regulatory Frameworks:

To regulate the banking system, banks and non banking financial institutions are subject to the following acts and regulations:

- Central bank of Sudan Act, 2006.
- The Banking Business Act, 2004
- Foreign Exchange Dealing Act,1981.
- Anti Money Laundering & combating Terrorism Finance Act,2014.
- The Property Mortgaged to Banks (Sale) Act,1990.
- Sukuk Act,1995
- The Electronic Transactions Act,2007.
- The Credit Information & Scoring Agency Act,2011

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- Payment Systems Regulation
- Deposit Guarantee Fund Act,1996.
- Foreign Exchange Dealing Regulation,2013.
- Regulation governing the Business of Foreign Exchange Bureaus.
- Regulation governing Licensing for conducting Banking Business.
- Rules for Conducting Business & Licensing of Representative Offices of Foreign Banks.
- Regulation governing the Business Of Financial Leasing Institutions “Ijara

Supervisory Framework for the Banking

Sector

- Bank of Sudan regulate the banking activities through issuing circulars & directives governing all aspect of banking operation , run its supervisory role through on site supervision and offsite supervision beside Shari'ah governance through the Higher Shari'ah Board .

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- The effective supervision strategy is based on the following objectives :
 1. To secure efficient & capable management carrying prudent ,moral ðical qualifications.
 2. To install & build up a capable & sound system of internal control , effective risk management, adequate transparency & enhanced corporate governance .
 3. To developed Banking technology in the whole banking industry .
 4. To insure the implementation of international standard consistent with Shari'ah principles.
 5. To improve the quality of financial reporting by banks to ensure the safety & soundness , and monitoring liquidity ,as well as credit & other risk management in banks.
 6. Evaluating the efficiency of the managerial structure in achieving the organizations' objectives.

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- The supervision function is performed through off-site surveillance and on-site inspection.
- On-site inspection is carried through two types of inspections (limited scope inspection and comprehensive inspection) & it now reoriented towards assessing the soundness of bank from risk point of view rather than compliance based .
- Off-site surveillance depends the periodic returns & reports that are required by law & circulars from the banks.
- To have more effective banking supervision there is high co- ordination between the on-site and off-site supervision.

Money Supply and Factors affecting it 2012 - 2013

particulars	Years		Change During 2012	
	2012	2013**	change	%
A) Money Supply (M2)	58,663.3	66,445.7	7,782.4	13.3
1/Mean of Current Payments	30,993.4	35,665.3	4,671.9	15.1
2/Quasi-Money	27,669.9	30,780.4	3,110.5	11.2
C/Indicators of Money Supply				
Currency with public /Money supply (%)	28.5	28.9		
Demand Deposits/ Money supply (%)	24.3	24.8		
Quasi Money / Money supply (%)	47.2	46.3		

The Most Important Sources of Money Expansion 2012-2013

The Statement	Years		Change During 2013		Contribution to the expansion in Money supply %)
	2012	2013	Change	%	
Central Bank of Sudan					
Temporary advances	3,499.3	5,999.3	2,5.0	71.4	32.1
Certificates	3,375.1	4,797.5	1,422.4	42.1	18.3
Gold Piece differentials					
Commercial banks					
Privet sector finance	27,278.0	33,442.8	6,164.8	22.6	79.2
Public enterprises finance	3,204.8	4,179.0	974.2	30.4	12.5

Banking Finance according to the Islamic System In 2003-2013 Sudan

Million SDG

Year	Others	Cos. Loans	Estsna	Egara	Mogawala	Salam	Modaraba	Mosharaka	Morabaha	Total
2003	610	0	0	0	0	135	161	655	1,259	2,819
2004	893	0	0	0	0	127	246	1,372	1,653	4,291
2005	1,363	0	0	0	0	145	292	2,143	3,010	6,954
2006	2,054	0	0	0	0	133	532	2,116	5,559	10,395
2007	3,061	0	0	0	0	82	498	1,631	7,315	12,587
2008	4,845	0	0	0	0	291	876	1,769	6,900	14,681
2009	4,526	0	0	0	0	350	956	1,641	8,186	15,660
2010	4,566	0	0	52	2,296	258	1,480	1,982	11,474	22,107
2011	3,880	0	0	36	1,952	175	1,425	1,548	14,313	23,329
*2012	5,293	125	20	90	2,160	460	1,296	2,637	12,022	24,103
2013	5,238	100	32	331	3,929	665	1,773	3,741	18,013	33,822

Finance according Finance to the Islamic System In 2003-2013Sudan

Year	Other s	Cos. Loans	Estsna	Egara	Mogawal a	Salam	Modara ba	Mosharak ah	Morabah a
2003	22%	0%	0%	0%	0%	5%	6%	23%	45%
2004	21%	0%	0%	0%	0%	3%	6%	32%	39%
2005	20%	0%	0%	0%	0%	2%	4%	31%	43%
2006	20%	0%	0%	0%	0%	1%	5%	20%	53%
2007	24%	0%	0%	0%	0%	1%	4%	13%	58%
2008	33%	0%	0%	0%	0%	2%	6%	12%	47%
2009	29%	0%	0%	0%	0%	2%	6%	10%	52%
2010	21%	0%	0%	0%	10%	1%	7%	9%	52%
2011	17%	0%	0%	0%	8%	1%	6%	7%	61%
*2012	22%	1%	0%	0%	9%	2%	5%	11%	50%
2013	15%	0%	0%	1%	12%	2%	5%	11%	53%

Foreign Finance according to the economic activates (Million SDG)

Sector	2013	% share	2014	% share
Agriculture	73.2	1.5	209.9	4.9
Industry	879.1	17.6	851.6	19.7
Exports	10.4	0.2	0.6	0
Transport & storage	503.5	10.1	945.3	21.9
Comers	308.1	6.2	168.2	3.9
Imports	1386.9	27.8	828.3	19.2
Construction	710.4	14.2	464.6	10.8
Mining	0	0	0	0
Others	1118.2	22.4	846.5	19.6
Total	4989.8	100%	4315.0	100%

Domestic Finance according to the economic activates (Million SDG)

Sector	2013	% share	2014	% share
Agriculture	5229.4	16.0	6698.2	16.7
Industry	5195.5	16.0	5839.1	14.6
Exports	1186.5	3.6	1488.3	3.7
Transport & storage	3136.7	9.6	3201.6	8.0
Comers	3108.6	9.8	3630.6	9.1
Imports	987.8	3.0	802.6	2.0
Construction	3565.3	10.9	6678.3	16.7
Mining	188.6	0.6	361.3	0.9
Others	9996.9	30.5	11305.7	28.3
Total	32667.3	100%	40005.7	100%

Table reflecting banking performance indicators :

Performance indicators	2014
Banks deposits / GDP	20%
Banks credit/ GDP	18%
Non-Performing finance to finance ratio	7.09%
Capital Adequacy	18%



Thank You

The challenges and Obstacles

- **Challenges faced & tackled by CBOS:**
 - Liquidity risk .
 - Established liquidity fund .
 - The Fund was established with the participation of all banks and its administration was entrusted to one of the investment banks in the banking sector.

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➤ **Challenges facing CBOS:**

1. the American embargo & economic sanctions on the Sudanese banking sector.
2. The difficulty in finding a highly qualified & knowledgeable personnel who possess adequate comprehensive of both shari”ah & economics aspect of banking business .
3. Keep up with the rapid changes and developments in the banking systems globally taking in consideration the lack of monetary instrument & the nature of the capital market .
4. The absence of penalty interest (delay interest) for lapse in repayment time, mainly in Sudan as it have been tied with proving the inability to pay .

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5. Macro prudential policy formulation and implementation, implementation of stress tests and macro stress tests due to data constraints problems.
6. Dealing with Systematically Important Banks or Institution (SIFIs).
7. The difficult economic conditions(such as exchange rate fluctuations and the high inflation rate & the sanctions) .
8. Implementation of the liquidity standard of Basel III, because of the non-active capital market in Sudan

CBOS Strategy to strengthen Banking Supervision

1. Enhancing the disclosure and transparency
2. Complete the implementation of core principles for effective banking supervision.
3. Building up capacities and skills in banking supervision and commercial banks as well.
4. Upgrading and strengthening the supervisory techniques (stress testing).
5. Implementing financial stability framework adopted by COMESA countries.

To conclude

- Basle standards is introduced to internationally active bank & systematically important banks but they have been adopted by our banks (modified by AAIOFI & IFSB) & I think it's time to initiate in issuing standards that govern Islamic Banking Sector, instead of modifying standards issued by the Basel Committee.
- And finally it's very important To exchange experiences in different issues between supervisory authorities on a more regular bases



Thank you