

## **Survey of Literature on Bank Supervision and on the Banking System of West Bank/Gaza Strip**

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1. Alonso-Gamo, Patricia, et al. 1999. "The Reemerging Banking Sector," in Alonson-Gamo, et al., *West Bank and Gaza Strip: Economic Developments in the Five Years since Oslo*. Washington: International Monetary Fund, p. 28-38.

This chapter discusses the growth of the banking system in the West Bank and Gaza Strip, as well as the role of the Palestinian Monetary Authority (PMA) in economic development.

2. Barnett, Steven, et al. 1998. "Monetary Policy in the West Bank and Gaza Strip in the Absence of a Domestic Currency," in Barnett, et al., *The Economy of the West Bank and Gaza Strip: Recent Experience, Prospects, and Challenges in Private Sector Development*. Washington: International Monetary Fund, p. 29-40.

This chapter briefly describes the history of the PMA, some details about the development of the banking sector, and suggestions for how the PMA should contribute to an environment of sustained economic growth.

3. Diwan, Ishac, and Shaban, Radwan A. 1999? "Development under Adversity: The Palestinian Economy in Transition. Summary." Washington: Palestine Economic Policy Research Institute (MAS) and the World Bank:  
[http://lnweb18.worldbank.org/mna/mena.nsf/34031e8758fc6363852567d60064a139/532356f7f08355558525681e005d4718/\\$FILE/engl.pdf](http://lnweb18.worldbank.org/mna/mena.nsf/34031e8758fc6363852567d60064a139/532356f7f08355558525681e005d4718/$FILE/engl.pdf) (accessed 8/18/2003).

The section of this summary document titled "Financial Sector Development" (p. 26-28) discusses the most effective role that the PMA can play currently and in the long term to ensure the development of effective financial and banking sectors. This discussion briefly touches on the need for appropriate regulation and supervision.

The complete 240-page book is available through the USAID library. As far as I can tell, this book contains no additional information concerning either bank supervision or the PMA.

4. Barth, James R., et al. November 2001. "An International Comparison and Assessment of the Structure of Bank Supervision:"  
<http://www.haas.berkeley.edu/finance/BDNWpaper.pdf> (accessed 8/19/2003).

The impetus for this study was the dearth of analysis of the structures of banking supervision systems across countries. The authors seek to determine if there is a

correlation between banking supervision and the structure of, performance of, and variety of activities undertaken by banking systems.

5. Barth, James R., et al. September 2002. "A Cross-Country Analysis of the Bank Supervisory Framework and Bank Performance." Economic and Policy Analysis Working Paper 2002-2: U.S. Department of the Treasury, Office of the Comptroller of the Currency: <http://www.occ.treas.gov/ftp/workpaper/wp2002-2.pdf> (accessed 8/18/2003).

The authors discuss policy issues concerning bank supervision across countries in terms of structure, scope, and degree of independence. In addition, the authors use data from 55 countries to analyze the relationship between bank profitability and the structure, scope, and level of independence of bank supervision. They conclude that there is no one particular bank supervision structure that affects bank performance significantly.

6. The World Bank Group. Bank Regulation and Supervision Web Page: [http://www.worldbank.org/research/projects/bank\\_regulation.htm](http://www.worldbank.org/research/projects/bank_regulation.htm) (accessed 8/19/2003).

This web page provides links to major outputs from a project that conducted a cross-country survey of bank supervision and regulation systems. This project includes the first comprehensive, cross-country survey of how banks are regulated and supervised, including requirements and regulatory powers regarding bank entry, ownership, capital, powers and activities, auditing, organization, liquidity, provisioning, accounting and disclosure, incentives for supervisors, deposit insurance, and disciplining powers including bank exit. The goal of this research is to draw conclusions for policy makers on key priorities in making their regulatory and supervisory framework more robust.

- The Database (Includes no data for West Bank and Gaza Strip): [http://www.worldbank.org/research/interest/prr\\_stuff/bank\\_regulation\\_database.htm](http://www.worldbank.org/research/interest/prr_stuff/bank_regulation_database.htm) (accessed 8/19/2003).

Excel spreadsheet presentation of data on the regulation and supervision of banks in 107 countries.

- Barth, James, et al. February 2001. "A Guide to the Database:" [http://www.worldbank.org/research/interest/prr\\_stuff/reg\\_guideline.htm](http://www.worldbank.org/research/interest/prr_stuff/reg_guideline.htm) (accessed 8/19/2003). (PDF file: [http://www.worldbank.org/research/interest/prr\\_stuff/guideline.pdf](http://www.worldbank.org/research/interest/prr_stuff/guideline.pdf))

The guide lists questions condensed from the World Bank Survey of Bank Regulation and Supervision.

- Barth, James, et al. February 2001. “The Regulation and Supervision of Banks Around the World: A New Database:” [http://www.worldbank.org/research/interest/worddocs/Database%20WP\\_050701\\_all.pdf](http://www.worldbank.org/research/interest/worddocs/Database%20WP_050701_all.pdf) (accessed 8/19/2003).

This paper presents and discusses the database.

- Barth, James, et al. January 2002 (most recent draft). “Bank Regulation and Supervision: What Works Best?”: [http://www.worldbank.org/research/interest/prr\\_stuff/wwb\\_122001.pdf](http://www.worldbank.org/research/interest/prr_stuff/wwb_122001.pdf) (accessed 8/19/2003).

This paper uses the database to assess the relationship between specific regulatory and supervisory practices and banking-sector development and fragility.

7. Quintyn, Marc, and Taylor, Michael W. March 2002. “Regulatory and Supervisory Independence and Financial Stability.” IMF Working Paper WP/02/46: <http://www.imf.org/external/pubs/ft/wp/2002/wp0246.pdf> (accessed 8/19/2003).

The authors argue that financial sector stability is dependent on regulatory and supervisory independence (RSI). There is discussion about the most appropriate structure of banking supervision and regulation.

8. Di Noia, Carmine, and Di Giorgio, Giorgio. October 19, 1999. “Should Banking Supervision and Monetary Policy Tasks Be Given to Different Agencies?”: <http://www.econ.upf.edu/deehome/what/wpapers/postscripts/411.pdf> (accessed 8/19/2003).

The paper argues in favor of a banking supervision agency outside of the central bank.

9. Basel Committee on Banking Supervision. September 1997. “Core Principles for Effective Banking Supervision:” <http://www.bis.org/publ/bcbs30a.pdf> (accessed 8/19/2003).

This publication is divided into six sections that cover the following topics: preconditions for effective bank supervision; licensing process and approval for changes in structure; arrangements for ongoing banking supervision; formal powers of supervisors; and cross-border banking.

10. Basel Committee. May 2001. “Compendium of Documents Produced by the Basel Committee on Banking Supervision.” Bank for International Settlement: <http://www.bis.org/publ/bcbsc001.htm> (accessed 8/18/2003).

The above link takes you to the Compendium's preface. At the end of the preface are links to four major sections of the document:

Volume I: Basic supervisory methods is divided into four chapters: Capital inadequacy and consolidation; Management of credit risk; Management of other core banking risks; and Transparency and accounting:  
<http://www.bis.org/publ/bcbssc002.htm>

Volume II: Advanced supervisory methods is divided into two chapters: Management of derivative and off-balance-sheet Risks and Capital inadequacy:  
<http://www.bis.org/publ/bcbssc003.htm>

Volume III: International supervisory issues is divided into three chapters: The Basel Concordat and Minimum Standards; Relations with other market financial supervisors; and Other international supervisory issues:  
<http://www.bis.org/publ/bcbssc004.htm>

The final section is titled "Committee documents not included in the Compendium:"  
<http://www.bis.org/publ/bcbssc005.pdf>

11. Chami, Ralph, et al. May 2003. "Emerging Issues in Banking Regulation." IMF Working Paper WP/03/101:  
<http://www.imf.org/external/pubs/ft/wp/2003/wp03101.pdf> (accessed 8/18/2003).

The authors give an overview of the effect of technology and deregulation on banking systems and discuss what obstacles complicate the development of regulatory frameworks. In addition, Chami et al provide some analysis of the response of the international banking community to changes brought on by technological developments and deregulation. Section IV of the paper is devoted to challenges specific to the developing world.

12. Crockett, Andrew. March 30, 2001. "Banking Supervision and Regulation: International Trends." Remarks by Andrew Crockett, General Manager of the Bank for International Settlements and Chairman of the Financial Stability Forum, at the 64<sup>th</sup> Banking Convention of the Mexican Bankers' Association, Acapulco, March 30, 2001: <http://www.bis.org/speeches/sp010330.htm> (accessed 8/19/2003).

Crockett considers the financial sector as a whole, but addresses regulatory and supervisory implications more specifically. He discusses the response of financial supervisors to the continuing evolution of financial markets.

13. Claessens, Stijn, and Klingebiel, Daniela. Spring 2001. "Competition and Scope of Activities in Financial Services." *The World Bank Research Observer*, v.16(1): 19-40: [http://econ.worldbank.org/files/17913\\_Financial\\_Services.pdf](http://econ.worldbank.org/files/17913_Financial_Services.pdf) (accessed 8/18/2003).

This article analyzes the costs and benefits of different degrees of competition and different configurations of permissible activities in the financial sector and discusses the related implications for regulation and supervision.

14. Rossi, Marco. May 1999. "Financial Fragility and Economic Performance in Developing Economies: Do Capital Controls, Prudential Regulation, and Supervision Matter?" IMF Working Paper (Monetary and Exchange Affairs Department) WP/99/66: <http://www.omf.org/external/pubs/ft/wp/1999/wp9966.pdf> (accessed 8/18/2003).

Results confirm the importance of the degree of capital account convertibility and the regulatory and supervisory framework in affecting financial fragility and economic performance.

15. Vittas, Dimitri, and Honohan, Patrick. August 1996. "Bank Regulation and the Network Paradigm: Policy Implications for Developing and Transition Economies." World Bank Policy Research Working Paper 1631. Financial Sector Development Department.

Summary: <http://econ.worldbank.org/view.php?type=5&id=536>

Full-text: [http://econ.worldbank.org/files/536\\_wps1631.pdf](http://econ.worldbank.org/files/536_wps1631.pdf) (accessed 8/19/2003).

The blurring of boundaries between banking and the rest of the financial network has placed an upper bound on the effectiveness of banking regulation and supervision. Network externalities call for corrective action, but the redundancy and complexity of networks make successful interventions hard to design. So, a degree of modesty is appropriate in designing banking policy.

16. Beck, Thorsten, et al. April 29, 2003. "Bank Supervision and Corporate Finance." World Bank Policy Research Paper 3042.

Summary: <http://econ.worldbank.org/view.php?type=5&id=26277>

Full-text: [http://econ.worldbank.org/files/26277\\_wps3042.pdf](http://econ.worldbank.org/files/26277_wps3042.pdf) (accessed 8/19/2003).

Beck, et al examine the impact of bank supervision on the financing obstacles faced by almost 5,000 corporations across 49 countries.

17. Caprio, Gerard, and Honohan, Patrick. December 2001. "Banking Policy and Macroeconomic Stability: An Exploration" World Bank Policy Research Paper 2856.

Summary: <http://econ.worldbank.org/view.php?type=5&id=15842>

Full-text: [http://econ.worldbank.org/files/15842\\_wps2856.pdf](http://econ.worldbank.org/files/15842_wps2856.pdf) (accessed 8/19/2003).

Caprio and Honohan examine the effect of banking systems on the stability of the economy. They argue that banking systems are foreign and domestic shock filters that can dampen or amplify the effects of shock on the economy. They conclude that

many regulatory characteristics that can strengthen a financial system against crises may at the same time weaken the system's ability to insulate the macroeconomy in the short term.

18. de Luna Martinez, Jose, and Rose, Thomas, A. July 8, 2003. "International Survey of Integrated Financial Sector Supervision." World Bank Policy Research Paper 3096.

Summary: <http://econ.worldbank.org/view.php?type=5&id=28404>

Full-text: [http://econ.worldbank.org/files/28404\\_wps3096.pdf](http://econ.worldbank.org/files/28404_wps3096.pdf) (accessed 8/19/2003).

Despite the intense debate on the advantages and disadvantages of adopting integrated supervision that has taken place in recent years, little is known about the experiences of countries that have adopted it and the obstacles and challenges they have faced to implement it. In an attempt to shed light on this area, de Luna Martínez and Rose present the results of a survey conducted in a group of 15 countries that have adopted integrated supervision.