BANK OF GHANA

Guideline on Internal Capital Adequacy Assessment Process (ICAAP)

for Banks and Financial Holding Companies licensed and registered under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

(EXPOSURE DRAFT)

February 2026

The Bank of Ghana (BOG) has issued the **Guideline On Internal Capital Adequacy Assessment Process (ICAAP)** to solicit comments and inputs from the banking industry and the general public, in line with the BOG's Procedures for Issuance of Directives, 2020.

In light of this, the Exposure Draft shall be made available on the BOG's website at www.bog.gov.gh from date of publication to June 30th, 2026, for comments.

All comments shall be sent to the Bank of Ghana via email at bsdletters@bog.gov.gh by 30th June 2026. The Bank of Ghana shall consider all material comments received and provide a written explanation for comments that were incorporated into the final guideline or otherwise.

PREAMBLE

Over the past two decades, developments in the international financial system have exposed significant weaknesses in banking practices, regulatory standards, and supervisory oversight. The 2007–2009 global financial crisis demonstrated that minimum capital ratios alone are insufficient to ensure the safety and soundness of financial institutions. Subsequent episodes—including the Eurozone sovereign debt crisis, the COVID-19 pandemic, tightening global financial conditions, and recent bank failures in advanced economies—have confirmed the need for stronger risk management, improved governance, and more forward-looking capital planning frameworks.

In response, the Basel Committee on Banking Supervision strengthened the capital framework under Pillar 2, which is based on four key principles. Principle 1 requires banks to maintain a sound Internal Capital Adequacy Assessment Process (ICAAP). Principle 2 requires supervisors to carry out a Supervisory Review Process (SRP) to assess the adequacy of a bank's capital. Principle 3 requires supervisors to ensure that banks operate with capital above the minimum requirements. Principle 4 requires supervisors to take early action where deficiencies in capital, governance, or risk management are identified. These principles establish a forward-looking and risk-sensitive approach to capital adequacy.

In Ghana, the financial sector reform programme and the recapitalisation exercise have strengthened the resilience of the banking sector. However, recent macroeconomic developments—including exposure to external shocks, inflationary pressures, exchange rate volatility, and changes in market conditions—require banks to adopt enhanced, forward-looking assessments of capital adequacy consistent with international standards. The financial system has also become more interconnected due to cross-border activities of Ghanaian banks, increased reliance on international funding, expansion of digital financial services, and broader exposure to global macro-financial conditions. These developments introduce risks that extend beyond those captured under Pillar 1.

Within this context, ICAAP is a critical component of the capital management framework for banks and financial holding companies. ICAAP enables institutions to identify and assess all material risks, determine the level of capital required to support these risks, and ensure that capital levels are commensurate with current and future exposures. ICAAP also supports the maintenance of adequate capital buffers, the protection of depositors, and the continued provision of financial intermediation under both normal and stressed conditions. In this regard, ICAAP must clearly demonstrate how capital is allocated to absorb material risks and must incorporate the cost of capital and the impact of unexpected losses. ICAAP further ensures that strategic objectives, risk appetite, and capital planning remain aligned to promote the long-term safety, soundness, and stability of institutions operating within the Ghanaian financial system.

TABLE OF CONTENTS

PART I-PRELIMINARY

Title

1. This Guideline shall be cited as the Bank of Ghana Guideline on Internal Capital Adequacy Assessment Process (ICAAP), 2026.

Application

2. This Guideline is issued pursuant to sections 29(3) and 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). They shall apply to all banks and financial holding companies licensed and registered, respectively, under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), hereinafter referred to as Regulated Financial Institutions (RFIs).

3. For an RFI with subsidiaries, Pillar 2 of the Basel capital framework shall apply on both a stand-alone basis and at the group level, with the BOG monitoring capital adequacy at both the solo and consolidated levels. Where an RFI has foreign subsidiaries, the BOG, as the home supervisor, will coordinate with host supervisors to obtain consolidated-level information.

4. For subsidiaries of foreign banks operating in Ghana, the BOG will assess the strength and reliability of support from the parent, along with relevant information from the home supervisor.

5. This Guideline shall be read in conjunction with the Bank of Ghana's Capital Requirements Directive, 2018, and other relevant Bank of Ghana Guidelines and Directives[1].

Interpretation

6. Unless the context otherwise requires, terms used in this guideline have the same meanings assigned to them in Act 930 and other Directives issued by the Bank of Ghana or as defined below:

"Act 930" means the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930);

"BOG" means the Bank of Ghana;

[1] Guidelines and Directives on credit concentration risk, interest rate risk in the banking book (IRRBB), stress testing, and other applicable regulations.

"Bank" means a body corporate that engages in the deposit-taking business and is issued with a banking licence in accordance with Act 930;

"Base Case Scenario" means a set of economic and financial conditions that are as generally consistent with the best or average estimate of future economic and financial conditions and does not usually lead to a stressed result. The purpose of the base case scenario is to, amongst others, provide a benchmark to compare results of other scenarios such as adverse, historical, and hypothetical.

"Board" means the Board of Directors of a Regulated Financial Institution;

"CRD" means the BOG Capital Requirements Directive, 2018;

"CRM" means credit risk mitigation, which refers to techniques used by banks to reduce the credit risk associated with an exposure by using collateral, guarantees, or netting arrangements;

"Economic Capital" means the internal methods and practices that enable a bank to consistently assess its risks and determine the amount of capital needed to absorb potential economic losses. It represents a regulated financial institution's own estimate of capital required to support its risk profile, beyond the regulatory minimum;

"Financial Holding Company" means a company that controls a bank or specialised deposit-taking institution which is subject to the registration requirements of Act 930;

"Foreign Bank" means a foreign company that is authorised to engage in a deposit-taking business in the country where its head office is located;

"Foreign Company" means a company incorporated under the laws of a country other than Ghana;

"Key Management Personnel" means the chief executive officer or managing director, deputy chief executive officer, chief operating officer, chief financial officer, board secretary, treasurer, chief internal auditor, chief risk officer, head of compliance, anti-money laundering reporting officer, head of internal control functions, chief legal officer, and manager of a significant business unit of the Regulated Financial Institution;

"Material Risks" means risks that could have a significant impact, both financial and non-financial, on the institution and its subsidiaries or on the interests of depositors and other stakeholders;

"Management Actions" means actions that an RFI would take in response to an adverse (stress) scenario, which would not be taken in a base case scenario. These actions typically include but are not limited to raising of capital, reductions in risk-weighted assets, adjustments to business strategies, reductions in expenses, hedging of exposures, revision of credit policies, or disposal of assets.

"Pillar 2" means the Supervisory Review Process under the Basel Capital Framework. It ensures that regulated financial institutions maintain adequate capital and liquidity to cover all material risks, including those not fully addressed under Pillar 1. It also promotes the development and implementation of robust risk management practices for identifying, monitoring, and managing these risks;

"Pillar 2 Capital Add-ons" means the additional capital, above minimum regulatory requirements, that the supervisor requires an RFI to hold to address risks not fully captured under Pillar 1 and to ensure alignment with the RFI's overall risk profile;

"Regulated Financial Institution (RFI)" means a bank or financial holding company covered under this Directive;

"Regulatory Capital" means the sum of Tier 1 Capital and Tier 2 Capital, net of regulatory adjustments. Tier 1 Capital (going-concern capital), which supports an RFI's ongoing operation and can absorb losses as they occur, consists of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) instruments. Tier 2 Capital (gone-concern capital) absorbs losses in resolution or could be converted to equity if an RFI is wound up. All regulatory capital instruments must be able to fully absorb losses at the point of non-viability, ensuring that public funds are not exposed;

"Risk Appetite" means the aggregate level and types of risk an RFI is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and plan;

"Risk Appetite Framework (RAF)" means the overall approach, including policies, processes, controls and systems, through which the approved risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF. The RAF should consider material risks to the bank as well as to its reputation vis-à-vis depositors and other stakeholders. The RAF aligns with the RFI's strategy;

"Risk Appetite Statement (RAS)" means the written articulation of the aggregate level and types of risk that an RFI will accept, or avoid, in order to achieve its strategic objectives. It includes quantitative measures expressed relative to earnings, capital, risk measures, liquidity, and other relevant measures as appropriate. It shall also include qualitative statements to address reputation and conduct risks, as well as money laundering and unethical practices;

"Risk-Taking Capacity" means the maximum amount of risk an RFI is able to assume given its capital base, risk management and control capabilities, as well as its regulatory constraints;

"Risk Culture" means an RFI's norms, attitudes, and behaviours related to risk awareness, risk-taking, and risk management, as well as the controls that shape decisions on risks. Risk culture influences the decisions of management and employees during the day-to-day activities and has an impact on the risks they assume;

"Risk Exposure" means the amount of loss (financial or non-financial) that an RFI faces from a particular risk type, before considering any mitigating actions or controls;
"Risk Limits" means specific quantitative measures or limits based on, for example, forward-looking assumptions that allocate the RFI's aggregate risk to business lines, legal entities, as relevant specific risk categories, concentrations and, as appropriate, other measures;

"Risk Management" means the processes established to ensure that all material risks and associated risk concentrations are identified, measured, evaluated, controlled, mitigated and reported on a timely and comprehensive basis;

"Risk Management Framework" means the totality of systems, structures, policies, processes and people within an institution that identify, measure, evaluate, control or mitigate, monitor and report all internal and external sources of material risk;

"Risk Management Oversight Function" means a key component of the RFI's second line of defence in the three-lines-of-defence model. This function is responsible for overseeing risk-taking activities across the bank and should have authority within the organisation to do so;

"Risk Management Strategy" means the strategy for managing risk and the basis on which the Board will evaluate the success of its RMF and its approach;

"Risk Profile" means a point-in-time assessment of an RFI's gross risk exposures (i.e., before the application of any mitigants) or, as appropriate, net risk exposures (i.e., after taking into account mitigants) aggregated within and across each relevant risk category based on current or forward-looking assumptions;

"Risk Tolerance" means the maximum level of risk that the institution is willing to accept in its business activities, expressed through measurable risk limits based on its risk appetite, risk profile and capital strength;

"RMD" means the BOG Risk Management Directive, 2021;

"Senior Management" means members of the Executive Management Committee (EXCO) of a Regulated Financial Institution and any other Key Management Personnel as may be determined by the Regulated Financial Institution.

Objectives

7. The purpose of this Guideline is to:

   a. provide a comprehensive overview of the key elements required by the BOG in the Internal Capital Adequacy Assessment Process (ICAAP)[2];

   b. serve as criteria for evaluating the effectiveness of an RFI's assessment of its capital needs relative to its risk exposures and existing risk management systems; and

   c. establish a standard format for ICAAP submission[3].

Proportionality

8. RFIs are required to fully comply with this Directive. However, when assessing the comprehensiveness of an RFI's ICAAP, the BOG will take into account the principle of proportionality, having regard to the design and implementation of an RFI's ICAAP, which should be proportionate to its risk profile and systemic importance, as well as the scale and complexity of its activities.

Transitional Arrangements and Implementation Date

9. These Guidelines shall be effective from **1st January 2027**.

10. RFIs shall therefore align their governance arrangements, risk management frameworks, internal policies and processes with the provisions of this Guideline by **31st December 2026**.

[2] The ICAAP summarises the RFI's risk assessment and capital allocation for unexpected losses, as expected losses are captured as part of IFRS 9 Expected Credit Loss (ECL) impairment.

[3] While the level of detail should reflect the RFI's size, nature, and complexity, using the standard format will ensure all relevant topics are covered and minimise the need for follow-up discussions with the BOG.

PART II-GUIDANCE ON THE ICAAP

GOVERNANCE OF THE ICAAP

11. The Capital Requirements Directive (CRD) mandates that the Board of RFIs establish and govern the following:
    a. The RFI's risk culture through its overall risk management strategy and specific frameworks for managing all material risks; and
    b. A capital management framework that aligns capital allocation with the Board-approved strategy and risk appetite.

12. RFIs should comprehensively document their ICAAP methodology and outcomes, subjecting both to a rigorous governance process that includes internal challenge and annual reviews by the Board.
13. The governance process for the ICAAP must generally cover the following aspects:
    a. Board and Senior Management oversight;
    b. Established risk management policies, procedures, limits and controls;
    c. Comprehensive assessment of risks;
    d. Sound capital assessment and setting of capital targets;
    e. Monitoring and reporting;
    f. Stress testing;
    g. Internal control review; and
    h. General Expectations.
14. RFIs should consider additional capital buffers, such as countercyclical buffers and buffers for Domestic Systemically Important Banks (DSIBs), where applicable, to ensure robust capital adequacy.

Board Oversight

15. The Board shall:
    a. have the ultimate responsibility over the ICAAP;
    b. robustly challenge and approve the ICAAP document, risk appetite statement, capital management framework and sound risk management policies and procedures;
    c. develop a thorough understanding of the nature and materiality of the risks inherent in the RFI's activities;

d. understand and critically evaluate key aspects of the ICAAP, including its assumptions and methodologies, and oversee its ongoing implementation;
e. ensure the bank maintains adequate capital commensurate with its risk profile and aligned with regulatory expectations on an ongoing basis;
f. integrate ICAAP outcomes into the RFI's strategic planning and decision-making process; and
g. ensure Senior Management effectively communicates risk-related policies throughout the organisation.

Senior Management Oversight

16. Senior Management shall:

a. develop and effectively implement the ICAAP;
b. establish a comprehensive risk assessment framework that covers all material risks, including those that may appear minor individually but could lead to significant losses when combined under stress scenarios;
c. establish detailed institution-wide policies aligned with the RFI's risk appetite and capacity as well as the BOG Risk Management Directive and relevant guidelines;
d. monitor compliance with Board-approved internal policies and risk limits as well as prudential limits, through robust internal controls and regular reporting;
e. implement systems that link risk exposures to capital levels as part of the ICAAP;
f. ensure consistent communication and enforcement of internal controls and compliance processes across the institution;

Risk Management Policies, Procedures, Limits and Controls

17. In identifying and measuring material risk, RFIs shall:

a. Develop comprehensive policies and procedures for identifying, measuring, and reporting all material and emerging risks. These should include:
    i. Rigorous risk measurement systems that accurately capture the nature and magnitude of risks faced by the bank;
    ii. Controls that ensure objectivity and consistency in risk identification and measurement;
    iii. Techniques based on high-quality inputs for accurate risk assessment;
    iv. Sound judgement in the assessment of non-quantifiable risks;
    v. Mechanism for promptly enhancing the quality of risk management in response to changes in the RFI's risk profile, shifts in the macroeconomic environment and the evolution of regulatory standards; and

vi. Stress testing to assess the impact of adverse scenarios on the RFI's capital adequacy and demonstrate the appropriateness of the selected scenarios and underlying assumptions to the BOG.

b. Establish a process that links capital levels to the RFI's risk profile, demonstrating conceptual soundness and reasonableness of outcomes to the BOG;

c. Define capital targets aligned with the RFI's strategic objectives, business plan, and operating environment;

d. Implement a robust system of internal controls, reviews and audits to ensure the integrity of the overall risk management process; and

18. The ICAAP should outline enhancements in the management of material risks aimed at reducing the likelihood and impact of losses. This includes changes in risk ownership, functional responsibilities, and audit oversight.

Comprehensive Assessment of Risks

19. The identification of risks faced by an RFI should be based on a comprehensive assessment of current and potential risk factors related to transactions, products, activities, and processes. RFIs are also required to include an analysis of the external environment in their risk identification approaches.

20. Given that ICAAP is an institution-wide initiative, the Board and all relevant functions, including business lines, should actively participate in the risk identification process. The risk management function should coordinate, consolidate, and disseminate identified risks across the bank.

21. RFIs shall continuously review the materiality of identified risks, taking into account market conditions, counterparty information, and the potential impact on earnings, capital, and reputation.

22. As part of the ICAAP, RFIs should:

a. Identify all material risks across the institution;

b. Measure risks that can be reliably quantified; and

c. Recognise the limitations of Pillar 1 capital requirements in capturing all relevant risks.

23. RFIs shall also establish a clearly defined risk identification process, specifying the frequency of reviews of the risks included in the ICAAP and explicitly outlining the roles and responsibilities of the relevant functions involved in the ICAAP.

Sound Capital Assessment and Setting of Capital Targets

24. To effectively calculate internal (Pillar 2) capital, RFIs shall implement the following:

a. Clear policies and procedures for identifying, measuring, and reporting all material risks;

b. A framework that links capital adequacy to the level of risks assumed;

c. A process that aligns capital adequacy goals with the RFI's strategic objectives and business plan; and

d. A robust system of internal controls that continuously reviews and audits the RFI's activities, ensuring the integrity of the overall risk management framework.

25. RFIs using internal models to determine capital requirements under Pillar II should demonstrate the ability of such models to accurately and consistently capture the relevant risks. These models should accurately measure risks linked to the bank's activities and take into account the bank's portfolio structure, prevailing and projected macroeconomic conditions, and potential shocks. Such models should also be subjected to rigorous, ongoing validation to ensure that they continue to be fit for purpose.

26. When linking Pillar 2 capital to risk levels, RFIs should consider:

a. Comparison of capital ratios with regulatory standards and those of their peers;

b. The potential impact of severe adverse events, informed by historical data, external economic conditions and hypothetical events; and

c. Planned changes in business strategy and shifts in the operating environment that may impact their risk profile.

27. The ICAAP documentation should include a reconciliation between total internal capital and eligible regulatory capital. Where applicable, RFIs should clarify whether capital instruments that do not qualify as regulatory capital are included.

28. RFIs shall comply with the applicable BOG guidelines on Pillar 2 risks, including those on credit concentration risk and interest rate risk in the banking book, during the assessment and quantification of relevant risk types.

29. In determining internal capital requirements as part of the ICAAP, RFIs should ensure that:

a. All material risks, including Pillar 1 risks, Pillar 2 risks: risks considered under Pillar 1 that are not fully captured by the Pillar 1 process (e.g., credit concentration risk); those factors not taken into account by the Pillar 1 process (e.g., IRRBB, business and strategic risk); and factors external to the RFI (e.g., business cycle effects);

b. The approach is forward-looking, considering the RFI's strategic plans and their relationship with macroeconomic factors;

c. Short- and long-term capital needs and strategic objectives are considered;

d. Adequate capital projections are developed to address all material risks over the specified time horizon;

e. The sensitivity of capital to economic and financial cycles (business risk) is assessed as a critical factor for current and future capital targets;

f. Differences in the loss-absorption capacity of various capital components are evaluated;

g. Capital targets align with the RFI's risk profile and operating environment, with a focus on the quality of managing risks that are not easily measurable, such as reputational and strategic risks;

h. Risk management policies are integrated into the day-to-day activities and decision-making processes within the RFI and effectively communicated to all relevant staff; and

i. The ICAAP and risk management policies are periodically reviewed to ensure continued alignment with the RFI's risk profile.

30. Effective capital planning and management is critical in achieving the RFI's strategic objectives and ensuring ongoing resilience to external shocks. The Board and Senior Management should therefore:

a. Establish a capital management policy[4] that includes, at a minimum:

    i. Current and future internal capital requirements that are aligned with its strategic objectives, risk profile and risk management capacity;

    ii. Board approved capital targets consistent with the RFI's risk tolerance;

    iii. Measures to be implemented if capital falls below the regulatory minimum or internal targets; and

    iv. An outline of the RFI's capital needs, anticipated expenditures, desired capital level, and external funding sources.

b. Develop and regularly update supplementary policies, such as stress testing, recovery planning and dividend policies, that enhance the capital management policy;

c. Develop internal control systems and written policies for capital planning and assessment, ensuring effective communication throughout the RFI; and

d. Establish methods for monitoring compliance with regulatory capital standards and internal policies.

[4] The Capital Management Policy shall be submitted together with the ICAAP Report as part of the reporting documents.

31. The ICAAP should address the capital implications arising from both on-balance sheet and off-balance sheet positions, including contingent liabilities and other commitments.

Monitoring and Reporting

32. RFIs should establish a robust IT infrastructure and implement effective internal processes for monitoring and reporting risk exposures. This framework is crucial for evaluating the impact of evolving risk profiles on capital requirements. Accordingly, RFIs' IT infrastructure should generate reports that facilitate the Board and Senior Management to:
    a. Evaluate the level and trends of material risks and their implications on regulatory and internal capital requirements;
    b. Assess the sensitivity and reasonableness of key assumptions used in capital assessments; and
    c. Project future capital requirements based on evolving risk profiles and macroeconomic conditions to inform the adjustment of strategic plans where necessary.
33. The ICAAP should incorporate a system for:
    a. Monitoring and reporting risk exposures against established risk limits;
    b. Assessing the impact of changes in the RFI's risk profile on capital needs; and
    c. Providing regular and timely reports to the Board and Senior Management on the RFI's risk profile and capital adequacy.
34. The RFI's report on risk profile and capital needs should enable Senior Management to:
    a. Evaluate the level and trends of material risks and their impact on capital levels;
    b. Assess the sensitivity and reasonableness of key assumptions in the capital assessments;
    c. Determine whether the bank maintains sufficient capital against various risks and complies with approved capital adequacy targets; and
    d. Assess future capital requirements based on the RFI's risk profile and adjust the strategic plan as necessary.

Stress Testing and Management Actions

35. RFIs should regularly conduct stress tests to evaluate the effectiveness of their risk mitigation and control systems and to determine whether their internal capital is sufficient to cover potential risks.

36. In developing their stress testing framework, RFIs should adhere to the BOG Guideline on Stress Testing. Additionally, RFIs should assess the relevance of the BOG's stress scenarios and suggested risk drivers to their specific business models and risk profiles.

37. RFIs should outline realistic management actions to reduce risk or restore capital adequacy when:
    a. Severe and plausible stress scenarios cause the Capital Adequacy Ratio (CAR) to fall below the regulatory minimum; or
    b. The current capital ratio is below the RFI's capital target.

38. In assessing the quality of their management actions, RFIs are expected to:
    a. Ensure proposed management actions are feasible under adverse macroeconomic conditions and take into account potential reputational impacts;
    b. Evaluate factors that may limit the effectiveness of management actions, such as debt covenants and legal or regulatory constraints;
    c. Assess how these management actions would likely affect the overall business model;
    d. Assess and document, in the ICAAP report, the impact of the proposed management actions on projected metrics under various scenarios; and
    e. Where applicable, provide evidence of execution of similar management actions in the past, such as Board reports and minutes of relevant meetings.

Internal Control and Independent Review

39. RFIs should implement a comprehensive internal controls system, supported by independent reviews and audits, to ensure the adequacy, effectiveness, and reliability of the ICAAP and the broader capital planning framework. These controls should enable effective monitoring of the RFI's business environment and alignment with strategic objectives.

40. The Board is responsible for overseeing the internal control systems to ensure they support the RFI's capital planning and risk management efforts. RFIs should also establish mechanisms to monitor actual performance against approved capital targets and verify consistency with ICAAP strategies.

41. The ICAAP should be subjected to regular and independent review by the Internal Audit Function (IAF) and/or an external reviewer to maintain integrity, accuracy, and reasonableness. These reviews should assess:

a. The suitability of the capital assessment process relative to the RFI's size, scope and complexity;

b. The appropriateness of risk appetite and tolerance levels;

c. The effectiveness of the ICAAP and the robustness of the internal controls;

d. The approach to the identification and evaluation of material risks;

e. The accuracy and completeness of data used for the ICAAP;

f. The reasonableness and validity of scenarios used in the assessment process;

g. The reliability of the stress testing process, assumptions, and inputs; and

h. The accuracy and reliability of third-party tools and data, including credit ratings, risk assessment models and macroeconomic projections.

42. Independent reviews and audits of the ICAAP should be conducted at least annually, with more frequent reviews where there are material changes in macroeconomic conditions and regulatory requirements, as well as the RFI's risk profile, business strategy and structure (e.g., unanticipated mergers and acquisitions).

PART III- RECOMMENDED SUBMISSION FORMAT AND CONTENT

THE ICAAP DOCUMENT

43. The RFI uses the ICAAP document to outline its internal capital adequacy assessment process to the regulator. BOG recognises that ICAAP submissions may vary in length and scope, reflecting differences in RFIs' business models, risk profiles and risk management systems. Therefore, the ICAAP document should accurately represent the size, nature, and complexity of each RFI's operations.

44. To streamline the review process and ensure comprehensiveness of the ICAAP, RFIs are encouraged to adopt the prescribed format, which captures the key areas typically assessed by the BOG. While this format can improve efficiency, it does not replace the need to ensure compliance with applicable laws and regulations and that all material information is reported.

45. The ICAAP should be derived from, as well as be consistent with, existing internal strategies, policies and procedures, and should include a clear summary of key findings. The Board should robustly challenge and approve the document before submission to BOG.

46. The ICAAP document should inform the Board about the RFI's ongoing risk assessment and mitigation strategies, as well as current and projected capital requirements. It should be presented in a clear and concise format that enables both the RFI and BOG to make informed judgements about capital targets and risk management practices.

47. Where necessary, technical details including risk measurement methodologies, capital models, scenario analysis and stress testing should be attached to the ICAAP report.

48. The ICAAP should identify loss factors associated with general and specific risks and provide estimates of the cost of capital attributable to these risks based on potential losses. Stress testing of material risks or the overall strategy should be conducted to validate ICAAP conclusions.

CONTENT OF THE ICAAP REPORT

49. At a minimum, RFIs are expected to include the following key components in their ICAAP report or as part of the supplementary submissions:
    a. Executive Summary
    b. Structure and Operations

c. Governance and Management of the ICAAP
d. Business Model and Strategy
e. Risk Management Framework[5]
f. Risk Appetite Statement
g. Risk Identification and Materiality Assessment
h. Quantification of Pillar 2 Capital Requirements
i. Stress Testing
j. Capital planning
k. Liquidity Planning and Management
l. Capital Allocation and Reconciliation of Internal Capital
m. Management Actions
n. Internal Audit and Review of ICAAP
o. Challenge and Adoption of the ICAAP
p. Approval, Review, and Use of ICAAP within the bank
q. Use of Internal Models for Capital Assessment

Executive Summary

50. The Executive Summary of the ICAAP report should provide a clear and concise overview of the methodology, key findings, and strategic implications. At a minimum, it should include:

a. The objective of the ICAAP report and the entities covered, including subsidiaries;
b. Key findings from the ICAAP analysis, such as:
   i. The level and composition of internal capital compared to Pillar 1 requirements; and
   ii. An assessment of the robustness of the RFI's risk management systems.
c. A summary of the RFI's financial position, strategic outlook, balance sheet strength, and projected profitability;
d. A brief overview of the RFI's capital plan, dividend policies, and future capital management objectives;
e. An overview of material risks, justification for current risk levels, and planned actions to address any unacceptable risks;

[5] RFIs should align with the BOG Risk Management Directive

f. Whether the RFI has adequate capital resources over its planning horizon, including periods of economic downturn.

g. Identification of key areas requiring further analysis and decision-making; and

h. The body and functions responsible for conducting the ICAAP assessment, challenges encountered during the process, and the entity that approved the final report.

Structure and Operations

51. This section should provide a concise overview of the RFI's organisational structure and historical financial performance. At a minimum, it should include:

a. Description of the RFI's legal entity status, group affiliation (if any), and operational structure;

b. Summary of key financial metrics, including operating profit and its main drivers, profit before and after tax, dividend distributions, and shareholders' funds;

c. Comparison of eligible capital resources against regulatory capital requirements;

d. Overview of customer deposits and interbank funding sources;

e. Snapshot of the balance sheet, including total assets and key components; and

f. Conclusions drawn from historical data trends and their implications for the RFI's future financial and strategic positioning.

Governance of the ICAAP

52. This section should describe the governance framework and internal processes supporting the preparation, review, and implementation of the ICAAP. At a minimum, it should include:

a. Description of the procedures for preparing, updating and reviewing the ICAAP;

b. Definition of responsibilities assigned to the Board, Senior Management, and key functions (e.g., internal audit, finance, compliance, and risk management) regarding the ICAAP;

c. Description of organisational and contractual safeguards of any outsourced ICAAP components;

d. Overview of internal policies and procedures relevant to the ICAAP governance and execution;

e. Minutes from Board and committee meetings evidencing ICAAP implementation and oversight (should be added as supplementary documents);

f. Documentation of discussions on changes in the RFI's risk and capital position, including limit breaches and decisions on management actions, or rationale for inaction; and

g. Decisions related to internal capital estimates, their aggregation, and comparison with available capital (current and forward-looking).

Business Model and Strategy

53. This section should present a clear overview of the RFI's current financial position, business strategy, and capital planning framework. At a minimum, it should include:

a. Summary of the RFI's financial position, including the most recent audited figures and projections of key balance sheet items, available capital, and capital requirements under base and stress scenarios;

b. Description of the current business model, including main business lines, markets, geographical areas of operation, subsidiaries, and products;

c. Identification of income and cost drivers across main business lines, markets, geographical areas and subsidiaries;

d. Description of the anticipated changes to the current business model and underlying activities;

e. Overview of the external environment in which the bank expects to operate;

f. Outline of the business plan, including a schedule of reviews and triggers for extraordinary reviews;

g. Reconciliation between the time horizons of the business plan and the capital plan; and

h. Explanation of how the business strategy informs and aligns with the ICAAP framework.

i. Financial forecasts covering a three- to five-year period, based on business plans and capital adequacy calculations[6];

Risk Appetite Statement

54. This section should outline the RFI's risk appetite and its integration into strategy, governance, and risk management. At a minimum, it should include:

a. A copy of the Board-approved risk appetite statement (as an attachment);

b. Brief description of how the RFI's strategy and business model align with its risk appetite statement;

[6] The forecast should include both base and adverse scenarios.

c. Brief description of the governance arrangements, including the roles and responsibilities of the Board and Senior Management in designing, implementing, and overseeing the risk appetite statement;

d. Overview of procedures for reviewing and updating risk thresholds and limits;

e. Overview of how limits are allocated across the RFI or group; and

f. Brief description of how the risk appetite statement is embedded into the RFI's risk management process and overall governance structure.

g. Details of stress scenarios or events that could push the RFI outside its risk appetite and/or risk capacity.

Risk Identification and Materiality Assessment

55. This section should at a minimum include:

a. Brief description of the approach to risk identification, detailing risk categories within the ICAAP and the methodology for assessing their materiality;

b. Brief description of risk categories and sub-categories covered in the ICAAP;

c. The ICAAP time horizon(s), noting any differences across risk categories and subsidiaries, where applicable;

d. Brief description of any deviations in the ICAAP process and key assumptions within the group and its subsidiaries;

e. Explanation of any differences between risks included in the ICAAP and those in the risk appetite statement, particularly where the scope of risks varies;

f. The primary characteristics of risk control and mitigation instruments for each measurable risk category; and

g. A general description of systems used to control, mitigate and report risks that are not easily measurable.

Quantification of Pillar 2 Capital Requirements

56. The BOG does not prescribe a specific quantification methodology for the ICAAP. RFIs are encouraged to adopt approaches that align with their unique circumstances and risk management practices. However, all ICAAP submissions should include all the essential elements outlined in this Guideline. Furthermore, RFIs should be able to demonstrate that their ICAAP is robust and meets the BOG's supervisory expectations.

57. Where RFIs adopt the ICAAP methodology used by their parent, they must sufficiently demonstrate to the BOG that the methodology:

a. has been adapted to reflect the specific characteristics of the Ghanaian macroeconomic environment;
b. appropriately captures the risk profile of the RFI;
c. is adequately understood by all the relevant internal stakeholders, including the Board, risk management and internal audit functions; and
d. aligns with the BOG's relevant directives and guidelines.

58. This section should include:

a. Overview of the key features of the models and methodologies used to quantify and measure risks, including metrics, assumptions, and parameters (e.g., confidence intervals, holding periods) across all risk categories and sub-categories;
b. Evaluation of the robustness of the internal challenge process regarding capital adequacy;
c. Justification of the reasonableness of internal capital estimates relative to the RFI's risk profile;
d. Description of the data used, including the duration of the time series and how the data reflects the scope of entities covered by the ICAAP;
e. Explanation of key differences between ICAAP measurement methodologies and those used for calculating the minimum capital requirements;
f. Presentation of capital estimates for all material risks on a risk-by-risk basis;
g. Description of the approach used to assess capital for each material risk, including key assumptions and the risks covered by each modelling or calculation method;
h. Justification for any material risks assigned zero capital, including the rationale behind such judgements;
i. Details of the methodology and rationale for calculating risks across identified categories (as an attachment);
j. Explanation of how the bank determines its capital needs, considering:
    i. The limitation of the adopted modelling approach;
    ii. Weaknesses in the RFI's risk management systems, procedures, or controls;
    iii. Differences between regulatory capital and internal capital; and

iv. The multiple roles of capital (e.g., shareholder returns, regulatory buffer, protection against uncertainty, depositor protection, working capital, rating objectives, strategic acquisitions).

k. Disclosure of the effective date of the ICAAP calculations and any material events occurring between that date and the submission date, including their impact;

l. Rationale for the selected period over which capital has been assessed;

m. Where applicable, a detailed explanation of ICAAP calculations broken down per subsidiary;

n. If scenario analyses are used to determine Pillar 2 Capital, clearly define the criteria for determining the severity of the scenarios.

Stress Testing in ICAAP

59. This section should include, where applicable:

a. Overview of stress tests and scenario analyses conducted under the ICAAP, including confidence levels, key assumptions and the distribution of outcomes for significant risk factors;

b. Brief description of adverse scenarios considered, including macroeconomic assumptions and variables that are severe but plausible and how these scenarios were derived;

c. Description of how reverse stress testing (RST) is used to calibrate the severity of scenarios;

d. Details of stress tests tailored to specific business units or strategic plans, where applicable;

e. Presentation of scenario outcomes and their impact on key metrics, such as profit and loss, internal and regulatory capital, prudential ratios, and liquidity position;

f. Justification of how scenario outcomes align with the RFI's business model, strategy, material risks and scope of the ICAAP;

g. Key assumptions used in the scenario modelling, including management actions, business assumptions, reference dates, time horizons, and balance sheet projections;

h. Overview of governance arrangements for the stress testing process, including data infrastructure and validation mechanisms; and

i. Explanation of how stress testing outputs inform management decision-making.

Capital Planning

60. This section should include:
    a. Brief description of the capital planning process, including key dimensions (e.g., internal, regulatory), time horizons, capital instruments, and capital measures;
    b. Summary of the main assumptions informing capital planning;
    c. Documented capital policy addressing all the material risks considered in the capital planning process (as an attachment);
    d. Description of the framework for preserving capital and managing business operations under various conditions;

       Explanation of how general economic conditions or market downturns may affect the RFI's operations and capital adequacy;
    e. Assessment of the impact of economic downturn on capital resources, earnings and required capital, including projected changes in the balance sheet;
    f. Evaluation of additional capital planning actions needed to ensure compliance with regulatory capital requirements (RCR), such as capital injections or share issuances;
    g. Illustration of the effects of management actions, including strategic shifts and contingency plan implementation, on capital projections;
    h. Details of any contractual, commercial, regulatory, or statutory restrictions on transferring capital into or out of the covered businesses; and

Liquidity Planning and Management

61. This section should clearly outline how liquidity risk is managed, independently from capital held to cover losses during liquidity stress events. It should summarise key assumptions and conclusions from cash flow stress testing used to assess and manage liquidity risk.

62. The ICAAP should include, as attachments where relevant, the following documentation to support liquidity and funding risk management:
    a. Asset-Liability Committee (ALCO) papers and samples of Management Information (MI) used for cash flow forecasting;
    b. Organisation chart detailing liquidity and funding risk management roles, delegated authorities, and reporting lines;
    c. Internal audit reports related to the treasury operations;
    d. Liquidity and funding policies (both standalone and group-level, where relevant);
    e. Policies addressing limit breaches and escalation protocols;

f. Documentation of intra-group liquidity arrangements, especially for cross-border operations;

g. Liquidity stress testing documentation, including scenarios, methodologies and results (as an attachment);

h. Analysis of liquidity demands and sources, covering funding risk and market liquidity risk;

i. Liquidity Plan and Quantified Contingency Funding Plans (CFPs); and

j. Detailed account of the formal and informal commitments, including timelines and scale, related to:

    i. Off-balance sheet financing vehicles;

    ii. Market counterparties (including margin or collateral obligations); and

    iii. Client-related liquidity exposures.

k. Details of the liquidity buffers required to cover maturity mismatches in the shorter window under severe stress, including a potential run on the RFI and specific contingency arrangements to meet any shortfalls.

l. Details of internal processes for estimating required liquidity buffers and managing liquidity risk adequately.

63. Although capital is not a direct mitigant for liquidity risk, stress scenarios may lead to increased funding costs and fire sales of assets that could erode capital reserves. RFIs should therefore consider scenarios in which liquidity stress indirectly affects capital adequacy and incorporate them into their liquidity and capital planning.

Capital Allocation and Reconciliation of Internal Capital

64. This section should outline the methodology, monitoring and assessment of internal capital allocation across the RFI. This should include:

a. Description of the approach and assumptions used to allocate internal capital to operating units, subsidiaries, business segments and products;

b. Listing and defining capital components included in the internal capital assessment;

c. Actual amounts of internal capital allocated to business lines, and where applicable, subsidiaries;

d. Quantitative comparison of actual capital usage relative to the internal capital allocated based on ICAAP estimates, with explanations for instances where there are variations; and

e. Description of the monitoring process, including assessment of capital utilisation and comparison between estimated risk-adjusted return on capital and established hurdle rate at business line level and the associated escalation protocols.

65. The ICAAP should include an assessment of the total capital the bank needs to hold, as well as the capital required for each identified material risk.

Management Actions

66. This section should outline the management actions considered in the ICAAP, focusing on their role in risk mitigation and improving capital position:

a. Brief description of risk management and control measures used to mitigate material risks;

b. Quantification of the financial impact of proposed management actions;

c. Documentation of management actions taken during previous periods of economic stress, to demonstrate practical effectiveness; and

d. Description of how the bank plans to manage its business and capital to navigate adverse conditions while maintaining minimum regulatory standards[7].

Internal Audit Review of ICAAP

67. This section should include:

a. Overview of the scope and frequency of the internal audit review conducted on the ICAAP;
b. Description of the internal audit function's independence and adequacy of resources to ensure objective and effective review;
c. Description of the process for tracking open audit issues and verifying management actions before closure;
d. Evaluation of the methods, techniques, assumptions, and data sources used in the ICAAP; and
e. Summary of the outcomes from the independent validation of risk measurement models used in ICAAP.

Challenge and Adoption of the ICAAP

68. This section should include:

a. A description of the scope and rigour of the ICAAP testing and challenge processes, including assumptions applied to models and the review and sign-off procedures by the Board and Senior Management;

[7] The plans described therein should align with the RFI's Recovery Plan.

b. Copies of all relevant reports submitted to the Board and Senior Management, along with their response;

c. Information on any reliance on third parties in the generation of ICAAP or its components;

d. Copies of reports from external reviewers or internal audit functions;

e. An outline of planned future enhancements to the ICAAP, including areas still under development.

Use of ICAAP within the RFI

69. This section should include:

a. Details of how the ICAAP is embedded within the bank, including how it influences pricing, risk appetite, risk management, capital and liquidity planning, as well as its business strategy;

b. Details of capital decisions approved by the Board;

Use of Internal Models for Capital Assessment

70. If the bank uses internal models to quantify risks, this section should include:

a. The key assumptions and parameters in the capital modelling exercise, including background information on how these assumptions were derived;

b. The confidence level, time horizon, and description of the modelled event;

c. The criteria for selecting parameters, including the historical data period and calibration methodology;

d. Model limitations and sensitivity to changes in assumptions or parameters; and

e. The validation activities conducted to assess the model’s ongoing adequacy;

PART IV - REPORTING AND DISCLOSURE OF THE ICAAP

REGULATORY REPORTING OF THE ICAAP

71. The ICAAP report shall be submitted to the BOG together with relevant Board resolutions and Senior Management reports. These accompanying documents should include comments on the ICAAP reflecting the respective responsibilities of the Board and Senior Management. The report should be structured, at a minimum, into the areas outlined in Part III of this Guideline.

72. RFIs shall submit annually to the BOG their ICAAP report, along with relevant supporting documents, no later than three months after the year-end. The ICAAP report should be forward-looking with a starting position reflecting the status as of 31st December of the preceding year.

73. RFIs shall, at a minimum, review and update their ICAAP annually to capture any changes in their business strategies, structure or operating environment. Where there are material changes at any time during the year which render the existing ICAAP no longer applicable, the RFI shall update its ICAAP and submit same to the BOG in a timely manner[8].

74. BOG reserves the right to require RFIs to submit an updated ICAAP at any time.

75. The ICAAP should reflect the RFI's risk management strategy and address all material risks identified by the RFI's Board, including those considered under Pillar 1 minimum capital requirements. It should present a concise yet comprehensive risk profile that avoids duplicating existing policies. While not a substitute for detailed policies, the ICAAP should adhere to established guidelines and use consistent descriptions of material risks.

76. The ICAAP should include an overarching strategy that identifies material risks and articulates the RFI's risk appetite for each risk. Risk appetite statements should cover both qualitative and quantitative dimensions, including thresholds and directional indicators approved by the Board.

DISCLOSURES

77. The ICAAP shall provide accurate, up-to-date measures of the RFI's risk profile and financial performance projections, consistent with the latest strategic plans. Any material changes, such as expansion, acquisitions, or adjustments to incentive structures, should be clearly documented.

78. A summary of external factors influencing the RFI's strategy and risk management should be included, covering macroeconomic, industry, market, and competitive conditions.

[8] This may include instances where there are mergers and acquisitions, material changes in business models, significant shifts in macroeconomic factors, sale of significant business lines or subsidiaries, force majeure, etc.

79. RFIs should provide comprehensive disclosures regarding their Capital Management Plan. Disclosures regarding capital sources and capital conservation practices should be incorporated into the Capital Management Plan disclosures.

80. RFIs should disclose any restrictions on capital transfer within the group, whether contractual, commercial, regulatory, or statutory. These may include dividend caps or regulatory limits on minimum capital levels post-distribution.

81. RFIs should provide a comprehensive description of their environment, social, and governance (ESG) framework and activities, as well as any larger-than-normal mark-to-market losses and potential sovereign risk exposures.

82. The capital adequacy section of the ICAAP should describe the RFI's risk appetite, aligned with risk management principles established by the CRD, BOG Risk Management Directive and other relevant guidelines, and the ICAAP requirements. The results should be published with each update of the ICAAP report on the RFI's website. RFIs shall disclose this information on their websites and submit same to BOG by 31st March of the ensuing year.

APPENDIX – CATEGORIES OF RISKS TO BE ANALYSED

Where material, the following risk categories should be analysed:

1. Credit Risk (including credit concentration risk)

a. Assess the extent to which credit risk is appropriately and comprehensively captured under the Pillar 1 capital framework to ensure the correct risk weights as prescribed by the CRD have been applied.

b. Evaluate credit facilities to ensure that they have been appropriately classified and the adequacy of provisioning for non-performing facilities.

c. Validate the methodology and calculation of credit risk-weighted assets.

d. Review credit risk mitigation (CRM) policies, instruments, and compliance with the minimum CRM requirements, ensuring that associated risks (such as legal, documentation, and liquidity risks) are adequately managed.

e. Assess exposure limits and concentration risks by counterparty, currency, sector, geography, asset class, product and other factors.

2. Operational Risk

Analysis of operational risk should include, but not be limited to, the following expectations for RFIs:

a. The structure and complexity of the RFI's business models and operations.

b. Validation of the business mapping process.

c. Review of policies and practices affecting people, processes, and systems.

d. Examination of external factors likely to affect the RFI's operations and its ability to maintain critical functions.

e. Assessment of the impact of losing key personnel on the RFI's operations and revenues.

f. Evaluation of the consequences of management decisions on business conduct.

g. Approach to identification and documentation of operational loss events, including near misses, and the role of operational loss experience and scenarios in the enhancement of internal controls.

3. Market Risk

Analysis of market risk should include, but not be limited to, the following expectations for RFIs:

a. Appropriateness of the criteria and approach to classification of financial instruments and commodities into the trading and banking books.

b. Assessment of market risks in the banking and trading books, including the adequacy of risk management techniques and estimated capital to cushion against potential losses.

4. Cyber and Information Technology (CIT) Risk

Analysis of CIT risk should include, but not be limited to, the following expectations for RFIs:

a. Assessment of the adequacy of information technology resources, as well as the robustness of CIT risk management strategy, policies, controls and prompt reporting.

b. The comprehensiveness of coverage of CIT risk within the ICAAP (should be assessed independently).

c. Evaluation of the RFI's business continuity planning and operational resilience.

d. Review of the extent of reliance on third parties for CIT services, including risks and vulnerabilities.

5. Legal and Compliance Risk

Analysis of legal and compliance risk should include, but not be limited to, the following expectations for RFIs:

a. Identification of potential sources of legal and compliance risk, including the RFI's business lines, liabilities, affiliated operations, new laws and regulations and markets in which they operate.

b. Evaluation of any breaches or non-compliance with existing laws, regulations and ethical standards.

c. Assessment of adequacy of internal policies, practices and controls for managing legal and compliance risk.

d. Review of all ongoing legal disputes and the costs that may arise from adverse judgement.

e. Assessment of prompt rectification of deficiencies identified by BOG and other regulatory authorities (Ghana Revenue Authority, Environmental Protection Authority, etc.).

6. Liquidity Risk

Analysis of liquidity risk should include, among other factors:

a. The RFI's liquidity risk management policies, procedures, practices, and limits;
b. The RFI's liquidity risk profile, including:
    i. The level, trend, and volatility of customer deposits.
    ii. Maturity profile of assets and liabilities.
    iii. Stability and concentration of funding sources.
    iv. The RFI's borrowing capability and access to money markets.
    v. Market liquidity of RFI's assets, including under stress conditions.
    vi. Results of scenario analysis and stress tests.
c. The quality of the RFI's contingency funding plan, including access to support from the parent (if any).
d. Assess the potential impact of reputational risk events on the liquidity position and the second-round effect on capital adequacy.

7. Interest Rate Risk in the Banking Book (IRRBB)

In the analysis of IRRBB, RFIs should at a minimum:

a. Assess the quality of the stress test, including underlying scenarios and assumptions and the adequacy of the capital.
b. Evaluate the robustness of internal policies, procedures, controls and reporting.

8. Business and Strategic Risk

The analysis of business and strategic risk should include:

a. Assessment of the potential impact of changing economic conditions and business environments on the viability and sustainability of the RFI's business model.
b. Evaluation of the robustness and quality of implementation of the RFI's business strategy.
c. Review of risks and vulnerabilities of the RFI's business model.
d. Assessment of the compatibility of the strategic goals with the prevailing environment in which the RFI has material operations.

9. Reputational Risk

The analysis of reputational risk should include:

a. Adequacy of policies and procedures for identifying sources of reputational risk, including those arising from negative mentions in traditional or social media.

b. Measures to deal with reputational risk events, including strategies for engaging relevant stakeholders and managing liquidity pressures.

c. Approach to quantification and validation of Pillar 2 capital.

10. Model Risk

Analysis of the model risk should at a minimum:

a. Assess the adequacy of the RFI's model risk management framework.

b. Review the inventory of models used for risk measurement, capital calculation, valuation of financial instruments, Expected Credit Loss (IFRS 9), stress testing, credit granting decisions, and other material processes to ensure completeness, appropriate categorisation, and proper documentation (model purpose, scope, assumptions, and limitations).

c. Evaluate the model development and implementation processes, including data quality controls and the appropriateness of statistical, analytical, or expert-judgement approaches used in model construction.

d. Assess the independence, robustness, and frequency of model validation activities, ensuring that it covers conceptual soundness, performance monitoring, outcome analysis, and sensitivity testing, and the findings are addressed in a timely and effective manner.

e. Review governance over model use, including approval protocols, overrides, usage restrictions, model classifications, and procedures for the escalation and remediation of model weaknesses or breaches of model-related policies.

f. Evaluate model risk arising from data, assumptions, and system interfaces, including the accuracy, completeness, timeliness, and integrity of input data; the appropriateness and stability of model assumptions; and the reliability of IT systems supporting model deployment.

g. Assess the adequacy of controls around model change management, including requirements for redevelopment, revalidation, recalibration, or approval when material changes occur in business conditions, data, methodologies, or system environments.

h. Examine the RFI's approach to quantifying and incorporating model risk into its internal capital assessment, including the use of model overlays, add-ons, parameter floors, or conservative assumptions to address uncertainty, limitations, or instability in model outputs.

i. Review the RFI's monitoring of model performance under normal and stressed conditions, and assess the extent to which model outputs are used appropriately in decision-making, risk management, pricing, provisioning, and capital planning processes.

j. Assess the adequacy of Board and Senior Management understanding and oversight of model risk, including the effectiveness of reporting, challenge processes, and the institution's ability to ensure that models remain fit-for-purpose and aligned with regulatory expectations.

11. Country and Transfer Risk

The analysis of country and transfer risk should at a minimum:

a. Review policies and processes for the identification, measurement, monitoring, control and reporting of country and transfer risk.

b. Assess the RFI's approach to monitoring and evaluation of developments in the country and transfer risk, and the appropriateness of countermeasures.

c. Evaluate RFI's information systems, risk management systems, and internal control framework to ascertain the accuracy, timeliness, and comprehensiveness of monitoring and control of exposures to country and transfer risk.

d. Evaluate RFI's compliance with all applicable regulatory and internally approved limits governing country and transfer risk.

12. Anti-Money Laundering/Combating the Financing of Terrorism/ Countering Proliferation Financing (AML/CFT/CPF) Risk

The analysis of AML/CFT/CPF risk should include an assessment of:

a. The RFI's internal procedures for detecting and reporting money laundering, terrorist financing and proliferation financing to ensure alignment with regulatory requirements.

b. Procedures for implementing any new legal and regulatory provision.

c. The process for collecting relevant information on large, unusual and complex transactions and reporting same.

d. The adequacy of the Board and Senior Management's understanding and oversight of AML/CFT/CPF risk.

e. The effectiveness of the tools used to monitor, detect and report suspicious transactions and counterparties.

13. Climate-Related Financial Risk

The analysis of climate-related financial risk should, at a minimum:

a. Assess the governance, management, control, monitoring and reporting of climate-related risk to ensure alignment with the BOG climate-related financial risk directive.

b. Review the adequacy of mitigants against climate-related financial risk, including any risk transfer mechanism and additional capital and liquidity buffers.

14. Any other identified material emerging risks.

The analysis of any other material emerging risk should, at a minimum, consider the processes for identification of emerging risks and new vulnerabilities and the RFI's responsiveness to such risks and vulnerabilities.