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2024 REVISED BASEL CORE PRINCIPLES FOR EFFECTIVE BANKING SUPERVISION

EXECUTIVE SUMMARY

In a significant step toward enhancing global banking supervision, the Basel Committee on Banking Supervision (BCBS) recently revised the Basel Core Principles for Effective Banking Supervision (BCP). The BCP are the de facto minimum standards for the sound prudential regulation and supervision of banks and banking systems and are universally applicable. This comprehensive update, the first since 2012, reflects the evolving financial landscape and incorporates feedback from a wide range of stakeholders including BCBS members, nonmember countries, the International Monetary Fund (IMF), and the World Bank (WB). After extensive consultation, the revised BCP were approved by the BCBS in February 2024, endorsed by the International Conference of Banking Supervisors in April 2024, and published thereafter—marking a pivotal moment in the global effort to strengthen financial oversight.

The revised BCP document is a response to regulatory developments and structural changes within the banking industry over the last decade. It addresses the lessons learned over the last 10 years, including from the pandemic and the March 2023 banking turmoil; key findings from assessments under the Financial Sector Assessment Program (FSAP); and new challenges posed by ongoing structural transformations, notably digitalization and climate change. The revisions emphasize the importance of operational resilience, systemic risk management, and the adoption of a proportional approach to supervision, catering to the global diversity of banks and banking systems.

The revised Core Principles and accompanying methodology are set for immediate adoption, with no transitional period. This approach signals a commitment to rapidly elevate supervisory standards worldwide, although it is recognized that achieving full compliance may take time for many jurisdictions. The aim is to foster a global banking environment that is robust and adaptable to future challenges. In anticipation of these standards and their broader implications, the IMF and WB have proactively engaged with member countries to facilitate their understanding and implementation.

The purpose of this paper is to inform the Executive Boards of the IMF and WB of the main changes in the revised Principles and accompanying methodology and seek endorsement by the IMF Board for the purposes of undertaking assessments and preparing Reports on the Observance of Standards and Codes (ROSCs).

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Glossary

BCBS	Basel Committee on Banking Supervision
BCP	Basel Core Principles for Effective Banking Supervision
CP	Core Principle
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
GFC	Global Financial Crisis
IMF	International Monetary Fund
ROSC	Report on the Observance of Standards and Codes
SSB	Standard Setting Bodies
TA	Technical Assistance
WB	World Bank

INTRODUCTION

1. **The BCBS recently updated the international standard relating to the regulation and supervision of banks**. The BCBS published the revised BCP in April 2024.[1] The new BCP document combines the Core Principles and the assessment methodology. The text is available both as a single comprehensive document and as an integrated module within the Basel Framework, which is an online tool to access all Basel Committee standards.

2. **Banking supervision is one of 12 policy areas recognized under the joint IMF-World Bank Standards and Codes Initiative as relevant for economic and financial policy making**. A review of the Standards and Codes Initiative in July 2017 reaffirmed the importance of assessing international standards—including on effective banking supervision—for promoting international financial stability.[2] The BCP are the standard used in assessing the effectiveness of countries' banking regulatory and supervisory regimes under the Financial Sector Assessment Program (FSAP)[3] and for the preparation of stand-alone Reports on Observance of Standards and Codes (ROSCs). IMF and WB staff intend to use the revised BCP in upcoming assessments.[4]

3. **The purpose of this paper is to inform the Executive Boards of the IMF and the WB of the main changes in the BCP and seek IMF Board endorsement for their use in future assessments**. In line with the respective internal procedures and practices, the paper is being submitted by WB staff to their Board for information purposes only. In the case of the IMF, IMF staff are seeking Board endorsement of the revised BCP for the purposes of undertaking assessments and preparing ROSCs.

SUMMARY OF KEY CHANGES

4. **The revised BCP reflect supervisory and regulatory developments since the last revision in 2012, as well as the impact of recent structural trends on banks and banking systems**. The update takes account of the lessons learned from: countries' implementation of the Core Principles as updated in 2012; the impact of, and policy responses to, the COVID-19 pandemic; and FSAP assessments completed since 2013. Several thematic topics also informed the revisions to the Core Principles, including evolving risk considerations related to: (i) financial risks; (ii) operational resilience, including cyber security risks; (iii) systemic risk and macroprudential supervision; (iv) risks

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[1] The BCP was revised by a Task Force comprising BCBS member and nonmember countries, and the IMF and World Bank staff. The revised version was opened for a three-month consultation period starting in July 2023. The new standard was published on April 25, 2024. https://www.bis.org/bcbs/publ/d573.htm.

[2] See 2017 Review of the Standards and Codes Initiative, July 17, 2017 https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/08/03/pp080317-the-2017-joint-review-of-the-standards-and-codes-initiative.

[3] Assessments of compliance with international standards, including the BCP, are voluntary for all jurisdictions, including those for whom stability assessments under the FSAP are a mandatory part of Article IV surveillance.

[4] At present, jurisdictions are assessed against the 2012 BCP. Prior versions were issued in 2006 and 1997.

from structural transformations driven by climate change and the digitalization of finance; (v) the sustained growth of nonbank financial intermediation; and (vi) evolving risk management practices.

5. Lessons for the supervisory community from the March 2023 banking turmoil were incorporated into the review. For example, attention was focused on the BCP's expectations concerning capacity for timely, consistent, and conclusive supervisory actions; adequacy of liquidity arrangements; and the interface between daily supervisory practices and crisis management measures. In particular, there has been a greater focus on supervisory expectations concerning the understanding of the viability of banks' business models.

6. The revised standard strengthens requirements for supervisors, approaches to supervision, and supervisors' expectations of banks. At the same time, the BCBS was mindful that the BCP are universally applicable. To accommodate the wide spectrum of banks and banking systems worldwide, the new methodology reinforces the concept of proportionality, in terms of both the expectations on supervisors for the discharge of their functions and the complexity of standards that supervisors impose on banks. The proportionate approach will allow assessments of banking supervision that are commensurate with the risk profile and systemic importance of a wide range of banks—from large internationally active banks to small, noncomplex deposit-taking institutions—and banking systems. Proportionality should not be understood as dilution of standards, but as maintaining stringency of approach through proportionate methods—the BCP now make explicit reference to the High-Level Considerations on Proportionality, which clearly state this.[5]

7. IMF and WB staff participated in the review process and are supportive of these new standards. The revisions strengthen the standards for prudent regulation and effective supervision of banks and banking systems, thereby contributing to overall financial stability. They also help secure the continued relevance of the standards by ensuring they keep pace with dynamic market developments and broader structural shifts, while supporting legitimate financial innovation.

USE OF THE PRINCIPLES IN ASSESSMENTS

8. The revised Core Principles and corresponding methodology are available for immediate use by the IMF and the WB. The BCBS has not provided a transitional period for the use of the new BCP. Hence, assessments of compliance with the new BCP in the context of the FSAP or as stand-alone ROSCs will start immediately after IMF Board endorsement.

9. Many countries are likely to need time to achieve compliance with the revised BCP, as the BCP have expanded to cover new areas, are more comprehensive, and have sharpened the criteria for assessing compliance. The bar has been raised for both bank supervisors and banks. This approach is necessary to embed higher supervisory standards and expectations as well as regulatory evolution. Notably, several "additional" criteria for assessing compliance, which were

[5] https://www.bis.org/bcbs/publ/d534.pdf

optional under the 2012 BCP and only influenced grading of compliance at the authorities' request, have now been reclassified as "essential" criteria, marking a global shift in expectations.[6]

10. The coverage and complexity of the revised BCP means that assessments of compliance will continue to be a resource intensive activity for staff. BCBS members, all of which are subject to mandatory FSAP assessments, are likely to request a graded assessment in their next FSAP as part of their implementation commitment.[7] Interest in assessments may increase among other jurisdictions as well. A change in standard or methodology is also a key criterion for determining whether there will be a graded assessment (Detailed Assessment Report) or focused review (Technical Note) in the FSAP, as agreed in 2017 with standard setting bodies (SSBs).[8] Other criteria include a major change to the financial system of the jurisdiction, macro financial factors, and the period of time since the last graded assessment. Staff expects to be able to respond to this renewed interest in BCP detailed assessments within the existing resource envelope.

TECHNICAL ASSISTANCE

11. IMF and WB staff have undertaken considerable outreach to ensure that as broad a range of countries as possible is aware of the new principles. During the consultation period for the revised BCP, IMF, and WB staff, in collaboration with the BCBS secretariat, organized eight webinars with the ten IMF Regional Capacity Development Centers, reaching over 1600 participants from authorities of over a hundred jurisdictions.[9] The BCBS also hosted an outreach program, in collaboration with IMF and WB staff, targeted at advanced and emerging market economies' authorities as well as industry representatives, to increase awareness of the new Core Principles.

12. The new BCP are likely to generate additional requests for technical assistance (TA) from members. The revised principles have acknowledged the importance and impact of emerging risks, such as climate, digitalization, as well as counterparty risk from nonbank financial intermediation. More generally, the principles have become more demanding with respect to the scope and depth of regulatory requirements and supervisory practices. Jurisdictions will likely be interested in requesting assistance to enhance their ability to identity and monitor emerging risks, to understand the linkages that might exist with other sectors, and to ensure effective supervision in a risk-based approach that incorporates systemic and macroprudential dimensions.

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[6] The Additional Criteria are suggested best practices that countries with more complex banks should aim for. They set out supervisory practices that exceed current baseline expectations, but which will contribute to the robustness of individual supervisory frameworks.

[7] Under the 2021 FSAP review, the list of members with systemically important financial sectors was increased to 47, (32 are on a five-year cycle and 15 on a ten-year cycle). https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/05/28/2021-Financial-Sector-Assessment-Program-Review-Towards-A-More-Stable-And-Sustainable-460517

[8] Staff and SSBs, including BCBS, reached an understanding in 2017 on the use of the supervisory standards within the FSAP. See https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/07/20/pp060817use-of-supervisory-standards-in-fsap

[9] The outreach sessions were delivered in English, French, Spanish and Portuguese.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the IMF Executive Board:

The Executive Board takes note of the February 2024 revisions to the Basel Committee on Banking Supervision (BCBS) Core Principles for Effective Banking Supervision endorsed by the International Conference of Banking Supervisors in April 2024 and endorses them as the standards under which assessments initiated after the date of this decision will be conducted. For assessments initiated before that date, the revised principles may be used at the request of a member.

Appendix I. Summary of the Main Revisions to the BCBS Core Principles

Financial Risks

1. The BCBS Core Principles were updated to reflect post-global financial crisis (GFC) lessons and reforms. A non-risk-based measure to constrain the buildup of leverage in the banking sector (CP16 – Capital Adequacy) was introduced.[1] Credit Risk Management (CP17) was strengthened to include, among others, additional emphasis on risks related to securitization exposures and counterparty risk margining, as well as to clarify the broad scope of credit risk, i.e., all sources of credit risk should be included. Problem Assets, Provisions and Reserves (CP18) was updated to include expected credit loss provisioning and to align definitions with BCBS guidance.[2]

Operational Resilience and the Digitalization of Finance

2. A revised CP25 was introduced, encompassing operational risk and operational resilience. It reflects the significant developments related to these topics. The CP retains key requirements on operational risk, while enhancing the focus on governance, operational risk management, business continuity, interconnections, and interdependencies, third party dependence management, cybersecurity, and information and communication technology.

Systemic Risk and Macroprudential Supervision

3. Existing requirements in various CPs have been strengthened by incorporating macroprudential policy and supervision, as well as reinforcing the importance of a broad financial system perspective. Amendments in Cooperation and Collaboration (CP3) and Home-Host Relationships (CP13) emphasize the importance of close cooperation between the authorities responsible for banking supervision and macroprudential policy and financial stability. Supervisory Approach (CP8) and Supervisory Techniques and Tools (CP9) were also amended to clarify the role of the supervisor in assessing and mitigating risks to banks and the banking system and implications for financial stability, and to require that supervisors have a process to assess and identify systemically important banks in a domestic context.

Risk Management Practices

4. Several changes were made, reflecting developments in corporate governance and risk management practices. Changes to Corporate Governance (CP14) included greater emphasis in

[1] The previous methodology broadly required capital to constrain the buildup of leverage, and this has now been made more explicitly. Members who have already implemented the Basel 3 framework will meet this requirement. However, those who have not opted to do so—and the BCPs do not require Basel 3 implementation in general—will have to introduce a leverage ratio, which should be consistent with the Basel Framework.

[2] Primarily the Guidance on credit risk and accounting for expected credit losses (December 2015) and Prudential treatment of problem assets—definitions of nonperforming exposures and forbearance (April 2017).

considerations related to corporate culture and values, board independence, as well as processes to identify and assign responsibility and accountability. Changes to Risk Management Process (CP15) reinforced risk culture and risk appetite frameworks, besides introducing specific requirements on risk data aggregation. An explicit reference to business model sustainability was also introduced, and its key components explained.

5. The Core Principle on Transactions with Related Parties (CP20) was strengthened. The definition of related parties and the approval process for granting and managing related party transactions and associated reporting requirements were strengthened. Provisions on exemptions for certain transactions between entities within a banking group were introduced.

6. Other updates were made, including introducing Pillar 3 disclosure requirements in the case of internationally active banks (CP28 – Disclosure and Transparency), and amendments to maintain consistency with the Financial Action Task Force (FATF) standards (CP29 – Abuse of Financial Services).

New Risks—Climate Change and Digitalization

7. Explicit references to climate-related financial risks were introduced, while promoting a principles-based approach to supervisory practices and banks' risk management. Amendments to Supervisory approach (CP8) and Supervisory Reporting (CP10) introduce a definition of climate-related financial risks, require supervisors to take into consideration climate-related financial risks in their supervisory methodologies and processes and to have the power to require banks to submit information that allows for the assessment of the materiality of such risks. Adjustments to CP15 require banks to have comprehensive risk management policies and processes for all material risks (including climate-related financial risks), recognize that these risks could materialize over varying time horizons and implement appropriate measures to manage these risks where they are assessed as material. Adjustments to Internal Control and Audit (CP26) require banks to consider climate-related financial risks as part of their internal control framework. Banks and supervisors may consider climate-related financial risks in a flexible manner, given the degree of heterogeneity and evolving practices in this area.

8. Changes resulting from technology driven innovation and the digitalization of finance were also taken into consideration. Amendments to Responsibilities, Objectives and Powers (CP1) were made to ensure that supervisors can continue to access relevant information (irrespective of where it is stored) and review the overall activities of the banking group, including those undertaken by service providers. The importance of Operational Resilience (CP25) was also highlighted.

Nonbank Financial Intermediation

9. The rapid proliferation of nonbank financial intermediation and its potential impact on financial stability were acknowledged. Amendments reinforce the need for a group-wide approach to supervision (CP1). Amendments to CP15 highlight step-in risk more explicitly, while adjustments to CP17 give greater emphasis to the management of counterparty credit risk.

Table 1. The 2024 Basel Core Principles[1]
Supervisory Powers, Responsibilities. and Functions
Principle 1 – Responsibilities, Objectives, and Powers: An effective system of banking supervision has clear responsibilities and objectives for each authority involved in the supervision of banks and banking groups. A suitable legal framework for banking supervision is in place to provide each responsible authority with the necessary legal powers to authorize banks, conduct ongoing supervision, address compliance with laws and undertake timely corrective actions to address safety and soundness concerns.
Principle 2 – Independence, Accountability, Resourcing, and Legal Protection for Supervisors: The supervisor possesses operational independence, transparent processes, sound governance, budgetary processes that do not undermine autonomy, and adequate resources, and is accountable for the discharge of its duties and use of its resources. The legal framework for banking supervision includes legal protection for the supervisor.
Principle 3 – Cooperation and Collaboration: Laws, regulations, or other arrangements provide a framework for cooperation and collaboration with relevant domestic authorities and foreign supervisors. These arrangements reflect the need to protect confidential information.
Principle 4 – Permissible Activities: The permissible activities of institutions that are licensed and subject to supervision as banks are clearly defined, and the use of the word "bank" in names is controlled.
Principle 5 – Licensing Criteria: The licensing authority has the power to set criteria for licensing banks and to reject applications where the criteria are not met. At a minimum, the licensing process consists of an assessment of the ownership structure and governance (including the fitness and propriety of board members and senior management) of the bank and its wider group, its strategic and operating plan, internal controls, risk management and projected financial condition (including capital base). Where the proposed owner or parent organisation is a foreign bank, the prior consent of its home supervisor is obtained.
Principle 6 – Transfer of Significant Ownership: The supervisor has the power to review, reject and impose prudential conditions on any proposals to transfer significant ownership or controlling interests held directly or indirectly in existing banks to other parties.
Principle 7 – Major Acquisitions: The supervisor has the power to: (i) approve or reject (or recommend to the responsible authority the approval or rejection of) and impose prudential conditions on major acquisitions or investments by a bank (including the establishment of cross-border operations), against prescribed criteria; and (ii) determine that corporate affiliations or structures do not expose the bank to undue risks or hinder effective supervision.
Principle 8 – Supervisory Approach: An effective system of banking supervision requires the supervisor to develop and maintain a forward-looking assessment of the risk profile of individual banks, proportionate to their systemic importance; identify, assess and address risks emanating from banks and the banking system as a whole; have a framework in place for early intervention; and have plans in place, in partnership with other relevant authorities, to take action to resolve banks in an orderly manner if they become non-viable.
Principle 9 – Supervisory Techniques and Tools: The supervisor uses an appropriate range of techniques and tools to implement the supervisory approach and deploys supervisory resources on a proportionate basis, considering the risk profile and systemic importance of banks.

[1] Complete methodology at https://www.bis.org/bcbs/publ/d573.htm

Table 1. The 2024 Basel Core Principles (continued)
Principle 10 – Supervisory Reporting: The supervisor collects, reviews and analyses prudential reports and statistical returns from banks on both a solo and a consolidated basis, and independently verifies these reports through either on-site examinations or use of external experts.
Principle 11 – Corrective and Sanctioning Powers of Supervisors: The supervisor acts at an early stage to address unsafe and unsound practices or activities that could pose risks to banks or to the banking system. The supervisor has at its disposal an adequate range of supervisory tools, that it can apply at its discretion, to bring about timely corrective actions. This includes the ability to revoke the banking license or to recommend its revocation.
Principle 12 – Consolidated Supervision: The supervisor supervises the banking group on a consolidated basis, adequately monitoring and, as appropriate, applying prudential standards to all aspects of the business conducted by the banking group worldwide.
Principle 13 – Home-host relationships: Home and host supervisors of cross-border banking groups share information and cooperate for effective supervision of the group and group entities, and effective handling of crisis situations. Supervisors require the local operations of foreign banks to be conducted to the same standards as those required of domestic banks.
Prudential Regulations and Requirements
Principle 14 – Corporate Governance: The supervisor determines that banks have robust corporate governance policies and processes covering, for example, corporate culture and values, strategic direction and oversight, group and organizational structure, the control environment, the suitability assessment process, the responsibilities of the banks' boards and senior management, and compensation practices. These policies and processes are commensurate with the risk profile and systemic importance of the bank.
Principle 15 – Risk Management Process: The supervisor determines that banks have a comprehensive risk management process (including effective board and senior management oversight) to identify, measure, evaluate, monitor, report and control or mitigate all material risks (which can include risks related to digitalization, climate-related financial risks and emerging risks) on a timely basis and to assess the adequacy of their capital, their liquidity and the sustainability of their business models in relation to their risk profile and market and macroeconomic conditions. This extends to the development and review of contingency arrangements (including robust and credible recovery plans where warranted) that consider the specific circumstances of the bank. The risk management process is commensurate with the risk profile and systemic importance of the bank.
Principle 16 – Capital Adequacy: The supervisor sets prudent and appropriate capital adequacy requirements for banks that reflect the risks undertaken and presented by a bank in the context of the markets and macroeconomic conditions in which it operates. The supervisor defines the components of capital, bearing in mind their ability to absorb losses. At least for internationally active banks, capital requirements are not less stringent than the applicable Basel standards.
Principle 17 – Credit Risk: The supervisor determines that banks have an adequate credit risk management process that considers their risk appetite, risk profile, market conditions, macroeconomic factors and forward-looking information. This includes prudent policies and processes to identify, measure, evaluate, monitor, report and control or mitigate credit risk (including counterparty credit risk) on a timely basis. The full credit life cycle is covered, including credit underwriting, credit evaluation and the ongoing management of the bank's loan and investment portfolios.

Table 1. The 2024 Basel Core Principles (continued)
Principle 18 – Problem Assets, Provisions, and Reserves: The supervisor determines that banks have adequate policies and processes for the early identification and management of problem exposures and the maintenance of adequate provisions reserves.
Principle 19 – Concentration Risk and Large Exposure Limits: The supervisor determines that banks have adequate policies and processes to identify, measure, evaluate, monitor, report and control or mitigate concentrations of risk on a timely basis. Supervisors set prudential limits to restrict bank exposures to single counterparties or groups of connected counterparties. At least for internationally active banks, large exposure requirements are not less stringent than the applicable Basel standard.
Principle 20 – Transactions with Related Parties: To prevent abuses arising in transactions with related parties and to address the risk of conflicts of interest, the supervisor requires banks to: enter into any transactions with related parties on an arm's length basis; monitor these transactions; take appropriate steps to control or mitigate the risks; and write off exposures to related parties in accordance with standard policies and processes.
Principle 21 – Country and Transfer Risks: The supervisor determines that banks have adequate policies and processes to identify, measure, evaluate, monitor, report and control or mitigate country risk and transfer risk in their international lending and investment activities on a timely basis.
Principle 22 – Market Risk: The supervisor determines that banks have an adequate market risk management process that considers risk appetite, risk profile, market and macroeconomic conditions, and the risk of a significant deterioration in market liquidity. This includes prudent policies and processes to identify, measure, evaluate, monitor, report and control or mitigate market risks on a timely basis.
Principle 23 – Interest Rate Risk in the Banking Book: The supervisor determines that banks have adequate systems to identify, measure, evaluate, monitor, report and control or mitigate interest rate risk in the banking book on a timely basis. These systems consider the bank's risk appetite, risk profile and market and macroeconomic conditions.
Principle 24 – Liquidity Risk: The supervisor sets prudent and appropriate liquidity requirements (which can include either quantitative or qualitative requirements or both) that reflect the liquidity needs of banks. The supervisor determines that banks have a strategy that enables prudent management of liquidity risk and compliance with liquidity requirements. The strategy considers the bank's risk profile, market and macroeconomic conditions, and includes prudent policies and processes, consistent with the bank's risk appetite, to identify, measure, evaluate, monitor, report and control or mitigate liquidity risk over an appropriate set of time horizons. At least for internationally active banks, liquidity (including funding) requirements are not lower than the applicable Basel standards.
Principle 25 – Operational Risk and Operational resilience: The supervisor determines that banks have an adequate operational risk management framework and operational resilience approach that considers their risk profile, risk appetite, business environment, tolerance for disruption to their critical operations, and emerging risks. This includes prudent policies and processes to: (i) identify, assess, evaluate, monitor, report and control or mitigate operational risk on a timely basis; and (ii) identify and protect themselves from threats and potential failures, respond and adapt to, as well as recover and learn from, disruptive events to minimize their impact on delivering critical operations through disruption.

Table 1. The 2024 Basel Core Principles (concluded)

Principle 26 – Internal Control and Audit: The supervisor determines that banks have adequate internal control frameworks to establish and maintain an effectively controlled and tested operating environment for the conduct of their business, considering their risk profile. These include clear arrangements for delegating authority and responsibility; separation of the functions that involve committing the bank, paying away its funds, and accounting for its assets and liabilities; reconciliation of these processes; safeguarding the bank's assets; and appropriate independent internal audit (including those that are outsourced or co-sourced), compliance and other control functions to test adherence to and effectiveness of these controls as well as applicable laws and regulations.
Principle 27– Financial Reporting and External Audit: The supervisor determines that banks and banking groups maintain adequate and reliable records, prepare financial statements in accordance with accounting policies and practices that are widely accepted internationally and annually publish information that fairly reflects their financial condition and performance and bears an independent external auditor's opinion. The supervisor also determines that banks and parent companies of banking groups have adequate governance and oversight of the external audit function.
Principle 28 – Disclosure and Transparency: The supervisor determines that banks and banking groups regularly publish information on a consolidated and, where appropriate, solo basis that is easily accessible and fairly reflects their financial condition, performance, risk exposures, risk management strategies and corporate governance policies and processes (including compensation practices). At least for internationally active banks, disclosure requirements are not less stringent than the applicable Basel standards.
Principle 29 – Abuse of Financial Services: The supervisor determines that banks have adequate policies and processes, including robust and risk-based customer due diligence (CDD) rules and effective compliance functions to promote high ethical and professional standards in the financial sector and prevent the bank from being used intentionally or unintentionally for criminal activities.