



HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

MALDIVES

Financial Soundness Indicators
Mission

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MEMBERS:

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High-Level Summary Technical Assistance Report Statistics Department

Report on Financial Soundness Indicators Technical Assistance **Prepared by Mahmut Kutlukaya, Refika Fejzo Allkurti**

The *Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: The mission assisted the staff of the Maldives Monetary Authority (MMA) to compile financial soundness indicators (FSIs) in line with the IMF’s 2019 FSIs Compilation Guide, improve the data frequency of FSIs for deposit takers to monthly, and prepare new FSIs for insurance corporations.

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Background

- 1. At the request of the Central Bank of Maldives (MMA), and with the support of the Asia and Pacific Department (APD) of the International Monetary Fund (IMF), a financial soundness indicators (FSIs) technical assistance (TA) mission visited Male, Maldives, during March 12–21, 2023.** The mission (i) reviewed source data, institutional coverage, and underlying accounting and regulatory frameworks used in the compilation of FSIs for DTs with a view to increasing reporting periodicity to monthly; (ii) assisted the MMA in mapping source data for the other financial corporations (OFCs) to new reporting templates; (iii) assessed data availability to compile FSIs for nonfinancial corporations (NFCs) and households; (iv) assisted the MMA to update FSIs metadata; and (v) worked with the MMA to develop a workplan to compile and report new FSIs to STA.
- 2. This was the first STA mission focusing on FSIs for Maldives.** Prior to the mission, the MMA has been compiling and reporting to STA quarterly FSIs for DTs for publication in the FSI data portal. These FSIs were developed by the staff of the MMA with the knowledge acquired during their participation at the regional FSIs courses and workshops. This mission assisted the MMA to build technical capacity on the implementation of the *2019 FSIs Guide* recommendations on the current set of FSIs and to expand FSIs coverage.

Summary of Findings

- 3. The mission confirmed that source data for compiling FSIs for Deposit Takers (DTs), and Insurance Corporations (ICs) are broadly adequate and generally meet the requirements set by the 2019 FSIs Guide.** The commercial banks operating in Maldives have already adopted the International Financial Reporting Standard 9 (IFRS 9). The capital adequacy ratios of banks follows mainly the Basel I framework. The definitions of nonperforming loans (NPLs) and liquid assets were reviewed during the mission and recommendations were made to update the definitions in line with the *2019 FSIs Guide*.
- 4. The mission, in collaboration with the staff of the MMA, updated the existing bridge tables to compile FSIs for DTs and developed new ones for ICs, OFCs and households for reporting to STA.** The mission assisted the MMA to compile FSIs on the size of the OFCs (including insurance corporations (ICs), pension fund (PF), and other OFCs). Bridge tables were also developed to map income and expense statement, balance sheet and memorandum/supervisory series for DTs and ICs to the new FSI templates. The mission also worked with the MMA to compile one additional FSI on households. The use of the bridge tables is to ensure greater consistency in the compilation of the FSIs and facilitate the adoption of the new report forms.
- 5. The mission identified a few areas for improvements in terms of data collection and methodological framework.** These include remapping accrued interest receivable and payables to their respective financial instruments and institutional sectors; realigning the definition of customer deposits with the *2019 FSIs Guide*; updating the nonperforming loans coverage in line with the *2019 FSIs Guide* definition; updating the reporting templates of DTs to reflect the adoption of IFRS 9; and developing reporting instructions for ICs reporting.

6. **The mission also worked with the MMA on the metadata (FSM) and institutional coverage (FSIC) templates to record national compilation practices and deviations from the recommendations of the 2019 FSIs Guide.** The contents of new Tables 2 and 3 of the metadata were broadly discussed and agreed with the staff of the MMA, in line with the requirements of the *2019 FSIs Guide*. The publication of the metadata would provide needed information on the structure of banking sector and the accounting and regulatory frameworks underpinning the production of the FSIs compared to the methodology of the *2019 FSIs Guide*.

7. **As a result of the mission, the MMA is well positioned to start regularly reporting to STA the sectoral FSIs for DTs with monthly frequency and the new FSIs for Insurance Corporations with quarterly frequency for dissemination on the IMF’s FSIs data portal.** The MMA can compile and report fourteen core and ten additional FSIs for DTs as well as two additional FSIs on the size of OFCs, three FSIs for ICs, one FSI for households and two additional FSI on real estate markets. FSIs for ICs, OFCs and households are available on a quarterly basis.

8. **A timeframe for implementing the mission recommendations including reporting FSIs to STA was also discussed and agreed on with the MMA staff.** The authorities will start reporting updated and new FSIs data for DTs, ICs and OFCs using the bridge tables developed during the mission and finalize the contents of metadata and FSIC report forms by July 31, 2023, for review by STA before their final publication in the IMF’s FSIs data portal by August 31, 2023.

Summary of Recommendations

9. **To support progress in the compilation of FSIs in line with the 2019 FSIs Guide and the dissemination of the data, the mission has prepared a detailed action plan.** The priority recommendations are summarized in Table 1.

Table 1. Maldives: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
July 2023	<i>Finalize and report to STA for review the new FSI sectoral financial statements (FSI-SR template) with monthly data for DTs and quarterly data for ICs and OFCs beginning from September 2015, the new FSI institutional coverage (FSIC template) with annual data starting from 2015, and the new FSI metadata (FSM template).</i>	MMA
August 2023	<i>Start regular reporting to STA, for disseminating on the IMF’s FSI data portal, of the new FSI-SR template with data beginning from September 2015, and the new FSIC template with annual data starting from 2015. Also report the new FSM template and update as necessary.</i>	MMA