

**BANK MANAGEMENT AND SUPERVISION IN
DEVELOPING FINANCIAL MARKETS**

Also by Wilbert O. Bascom

**THE ECONOMICS OF FINANCIAL REFORM IN DEVELOPING
COUNTRIES**

Bank Management and Supervision in Developing Financial Markets

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To my children

Wilbert, Richard, Jessica and Jacqueline

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Preface

As financial markets are liberalized, bank management and bank supervisors are faced with new and complex challenges. Bank management is faced with the challenge of managing their banks in a competitive and volatile market environment – an environment with high levels of unaccustomed risks that must be identified, monitored and controlled by management. Directors, who may be inadequately informed of the banking business and the changes occurring in the financial market environment, are expected to act in a manner that preserves public confidence in their banks and ultimately in the entire banking system.

Bank regulators and supervisors have the challenge of establishing the framework that permits risk taking without endangering the safety and soundness of the banks operating in their jurisdictions. The main emphasis of their regulatory and supervisory programmes would be on the prudential aspects of financial monitoring, such as assessing the quality of the banks' assets, and the adequacy of their accounting and other records and control systems. In cases where deposit insurance exists, bank supervisors would have the additional challenge of providing a substitute for the market discipline removed by such insurance.

This book is intended as a reference guide for those interested in ensuring the existence of banks that are capable of meeting the challenges of developing financial markets effectively and successfully. It, therefore, focuses on bank directors and bank management; on bank regulators and supervisors; and on policy makers in governments, central banks, and regulatory and supervisory agencies. The book will also be useful for graduate and undergraduate students with courses in emerging financial markets, money and banking, and economic development.

I have relied on work done by others on the subject of bank management and supervision in developed and developing financial markets, and have acknowledged their contribution throughout the book. Fernando Capablanca of Banco Exterior de los Andes y de Espana, and Alcides Avila of Holland & Knight have provided me with some of the references used in this book. Much of my comments and observations, however, have been influenced by my own experiences as a bank regulator and supervisor in the state of Florida, as a member of senior management of a bank that operated in a repressed financial market, and as consultant with a group of financial companies operating in a developing financial market.

I am indebted to the Board of Directors of Eagle Merchant Bank of Jamaica for the opportunity to consult with this bank and with the other financial institutions included in the Eagle Merchant Bank of Jamaica group of companies. The directors have allowed me to share in the proceedings of their various boards and to obtain a practical knowledge of their handling of the complex issues of board supervision of the management and operations of banks in the developing financial markets of Jamaica.

Trevor Ffrench, of the Miami representative office of Eagle Merchant Bank of Jamaica, and Arthur Bell, of Geyco International, have provided me with professional advice when requested. Kyree Pina, of First Equity Corporation, has prepared the diagrams, revised the text, and helped me to unravel the intricacies of working with computers. I am indeed indebted to her for the assistance she has provided, and the competence and dedication she has demonstrated throughout this project.

Finally, I would like to express my deep and sincere appreciation for the encouragement and understanding provided by my wife, Wendy, and my daughters, Jessica and Jacqueline, during the weekends and holidays that I have devoted to this book instead of to them.

WILBERT O. BASCOM