

Terms of reference: expert consultant for risk-based supervision training and advisory on finance companies regulations

5 November 2024

Terms of reference

Client: Cenfri

Beneficiary: Finance Companies and Credit Bureaus Supervision Department (NBF Department) of the Central Bank of Jordan

Duration: Expected to start December 2024 and run until the end of June 2025.

Location: Mostly remote with two trips to Jordan (lasting approximately 5 working days each) to conduct training and key informant interviews.

1.1. Background and Context

Since the start of 2023, Cenfri has been providing technical assistance to the Central Bank of Jordan as part of the Innovative approaches for the Financial Inclusion of micro-, small and medium enterprises (MSMEs) in Jordan (I-FIN) project, implemented by GIZ. To enhance access to finance for MSMEs, the I-FIN project promotes creating an enabling environment for innovative MSME financing by providing support to the Central Bank of Jordan. The project has worked with several departments, including the Fintech and Innovation Division, the Consumer Protection Department, and the Insurance Supervision Department.

In continuation of this support, the Finance Companies and Credit Bureaus Supervision Department (referred to as the NBF Department) has identified two priority areas requiring further support and expertise:

- i. Training the NBF Department staff on the supervision of new types of finance companies, including factoring, leasing, and lending-based crowdfunding, under a Risk-Based Supervisory (RBS) approach.
- ii. Advisory on regulations pertaining to the implementation of IFRS 9 and corporate governance for finance companies.

The overall aim is to support the Central Bank in fostering an enabling environment for MSMEs, promoting financial inclusion, and aligning with the country's broader economic growth strategy.

Cenfri is seeking to appoint an expert consultant to assist in the technical assistance provided to the NBFi Department.

1.2. Objective

The expert consultant will:

- i. Conduct capacity-building workshops for the NBFi Department on supervising new types of finance companies in accordance with Risk-Based Supervision (RBS).
- ii. Provide advisory support for drafting regulatory instructions related to IFRS 9 compliance and corporate governance for finance companies, ensuring alignment with international standards and best practices.

1.3. Scope of work

Activity 1: RBS Training for NBFi Supervision Staff

The consultant will design and deliver a series of workshops aimed at building the capacity of the NBFi Department to supervise finance companies under a Risk-Based Supervision (RBS) framework.

Key topics to be covered include:

- The fundamentals of RBS and its application to NBFIs.
- Supervision of finance companies, with emphasis on factoring, leasing, and lending-based crowdfunding.
- Licensing and regulatory oversight under the RBS approach.

Specific tasks include:

- Designing and delivering a series of workshops.

Deliverables for Activity 1:

- A comprehensive training plan and materials, including slides and handouts.

Activity 2: Advisory on IFRS 9 and Corporate Governance Regulations for Finance Companies

The Finance Companies Bylaw makes provision in Article 25 for instructions to be issued:

- i. Regarding the preparation of financial reports according to the international reporting standards.
- ii. Giving effect to corporate governance rules.

The objective of this activity is to assist in the drafting of instructions that give effect to this provision contained in Article 25, which detail the requirements for finance companies to comply with IFRS 9 and corporate governance rules.

The consultant will assist the NBFi Department in drafting regulatory instructions for finance companies on two key areas:

- i. IFRS 9: Provide guidance on the proper adoption of IFRS 9 for financial reporting by finance companies.
 - The instructions will cover at least the following:
 - Ensuring that finance companies maintain sufficient and prudent levels of expected credit losses that accurately reflect both current and anticipated economic conditions, thereby safeguarding their financial stability and resilience against potential shocks or financial difficulties.
 - Mandating the adoption and implementation of International Financial Reporting Standards (IFRS) by finance companies for all financial reporting, ensuring transparency, consistency, and comparability across the sector.
 - Establishing a robust legislative framework to facilitate oversight and verification of finance companies' compliance with regulatory requirements. This includes proper classification of financial instruments, accurate measurement of credit risk, and the maintenance of adequate provisions for expected credit losses.

- ii. Corporate Governance: Provide detailed instructions on governance structures, including fit and proper criteria for board members, senior management, and Shari'a Compliance Committees, and risk management frameworks.
 - The instructions will cover at least the following:
 - Establish conditions and requirements for the appointment of the Board of Directors, senior executive management, and the Shari'a Compliance Committee at finance companies, ensuring compliance with fit and proper criteria.
 - Define and update the roles, responsibilities, and frequency of meetings for the Board of Directors, senior executive management, and the Shari'a Compliance Committee, while accommodating the diverse legal structures of finance companies.
 - Revise guidelines on disclosures, shareholder rights, Board of Directors' meetings, and governance standards for Islamic finance companies, specifically addressing the needs of new finance companies.
 - Strengthen risk management frameworks and supervisory control systems within finance companies.
 - Consider aspects of the triple bottom line.
 - Guidance on information security and data protection.

Specific tasks include:

- Reviewing inputs from Cenfri's regulatory and market assessment to map the existing legal landscape.
- Utilising Cenfri's findings from the regulatory benchmarking exercise to compare approaches in similar jurisdictions.
- Engaging with market players and the regulator through key informant interviews (KIIs) to identify actual and perceived barriers.
- Providing annotated outlines of the recommended regulations.

Deliverables for Activity 2:

- Two annotated outlines for each draft regulatory instructions for IFRS 9 and corporate governance, in collaboration with Cenfri.

- Two presentations with accompanying PowerPoint slide decks summarising findings and recommendations.

1.4. Roles and responsibilities

Consultant's Responsibilities

- Lead the development and delivery of all training and advisory services.
- Engage with key stakeholders, including regulatory officials and market participants, to ensure the contextual relevance of regulatory advice.
- Ensure deliverables are aligned with global best practices and tailored to the specific needs of the NBFJ Department and the local regulatory context.
- Provide ongoing support, including responding to queries and offering follow-up consultations as needed.
- Draft two regulatory instructions for finance companies.
- Work in close collaboration with Cenfri to ensure alignment with the broader regulatory and market assessments. The consultant will be expected to maintain regular communication and coordination with the Cenfri team, participating in frequent working sessions and engagements throughout the development of the training materials and regulations.
- Travel to Jordan twice to conduct key informant interviews and deliver training.

Cenfri's responsibilities

- Provide relevant background information, including access to insights pertaining to regulations and policies currently in place.
- Coordinate logistics for in-country workshops and meetings.
- Conduct the regulatory and market assessment to map the existing legal landscape and identify key barriers for finance companies.
- Conduct a regulatory benchmarking exercise to compare regulatory approaches in similar jurisdictions.
- Provide inputs and feedback to the expert consultant regarding training materials and draft regulations.
- Review and validate the deliverables from the consultant, including training content and regulatory drafts, ensuring consistency with overall project objectives.

1.5. Deliverables and Timeline

The assignment is expected to take place from December 2024 until the end of June 2025, with workshops, meetings, and key informant interviews held in-country, in Jordan.

- Inception Report: within two weeks of contract signing, including a detailed work plan.
- Training workshop materials: 10 days prior to the commencement of the workshops, with exact dates to be agreed upon by the parties.
- Draft regulatory instructions: dates to be agreed upon by the parties.

1.6. Required Qualifications and Experience

Minimum Qualifications:

- Advanced degree in finance, law, economics, or a related field.
- At least 15 years of experience in developing regulatory and supervisory frameworks for financing companies, including sectors such as Lending-Based Crowdfunding and Leasing.
- Extensive experience in drafting regulations and conducting regulatory inspections for NBFIs.
- Strong expertise in the implementation of Risk-Based Supervision (RBS).
- Demonstrable knowledge of IFRS 9 and corporate governance standards for finance companies.
- Experience in conducting capacity-building workshops for regulatory bodies.
- Previous experience working with or within a financial regulatory authority.

Desirable Qualifications:

- Experience working in or with regulatory authorities from one of the following countries: Turkey, UK, Malaysia, Mauritius, or Canada.
- Familiarity with regulatory frameworks and financial inclusion initiatives in emerging markets.

1.7. Duration and Location

The assignment is expected to take place from December 2024 until the end of June 2025, with workshops, meetings, and key informant interviews held in-country, in Jordan.

It is expected that this assignment will require two separate trips to Amman, each a week in duration. The timing of these trips can be negotiated based on availability, but ideally the first trip will happen in mid to late January 2025, with the 2nd trip in April/May 2025. All travel will be organised by Cenfri and direct costs incurred reimbursable.

1.8. Submission of proposals

Interested individual consultants are invited to propose a methodology and approach that achieves the project objectives outlined in these Terms of Reference. As part of the proposed methodology, consultants need to outline how they foresee collaboration with the Cenfri team to discuss and agree on the content that will be shared through the deliverables.

Budget:

The consultant is required to submit a financial proposal as part of their application. This should include:

- Their daily rate.

- An estimate of the number of days required to complete each deliverable, broken down by activity.

The total budget will be agreed upon based on the final work plan and scope, and will be subject to approval by Cenfri.

Direct costs needn't be submitted as these will be directly covered by Cenfri and/or reimbursed based on submitted invoices.

Proposal requirements:

Proposals should be succinct and include:

- Their detailed CV together with a brief description of how the consultant's past experience will equip them to deliver on the scope as outlined within this ToR. *Maximum 2 pages, excluding the CV.*
- A brief description of the consultant's proposed approach to undertaking the work and the deliverables. *Maximum 2 pages.*
- A budget, inclusive of all applicable taxes. *Maximum 1 page.*

Deadline for submission

Proposals should be submitted to Jana de Waal (Jana@Cenfri.org) via email by 20 November 2024 at 16h00 in Jordan (GMT+3). Consultant selection and contracting is expected to be completed by 2 December 2024.

Contact information

Please direct any questions or comments regarding these terms of reference to Jana de Waal (Jana@Cenfri.org) before 15 November 2024 at 16h00 in Jordan (GMT+3).

About Cenfri

Cenfri is a global thinktank and nonprofit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.