FSB FINANCIAL STABILITY BOARD

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Intensity and Effectiveness of SIFI Supervision

Recommendations for enhanced supervision

Prepared by the FSB in consultation with the IMF

I. Introduction

In the aftermath of the financial crisis, the FSB and the G20 Leaders have identified as a priority the need for more intense and effective supervision particularly as it relates to systemically important financial institutions (SIFIs). The level of supervision applied by national authorities must be commensurate with the potential destabilization risk that such firms pose to their own domestic financial systems, as well as the broader international financial system.

This report sets out recommendations for making the supervision of financial institutions more intense, effective and reliable. The recommendations are drawn from an internationally co-ordinated assessment of lessons from this crisis. While the recommendations are primarily aimed at making SIFIs less susceptible to failure, there are also lessons for the supervision of financial institutions more generally.

Policy Changes and Supervision

Policy changes, such as Basel III are a key element in the overall effort to reduce the probability and impact of a SIFI failure. Given the lessons of the crisis, policy changes are absolutely necessary. However, policy changes alone are not enough. In the recent crisis, circumstances led to institutions failing even though they were both reported to be, and assessed by supervisors as highly capitalized and highly liquid. Some of these failed institutions would have been considered well capitalized on the basis of reported data even under the internationally supported Basel II capital rules. But determining capital sufficiency is both a quantitative and a judgmental exercise. Every institution has a unique risk profile, making it impossible to solely rely on a one size-fits-all minimum capital requirement. Minimum capital requirements are however, very important.

The risks in the financial system need to be well controlled. However the system cannot and should not be risk free. Institutions exist for the purpose of making a reasonable return for their risk taking activities. Supervisors on the other hand exist for the purpose of always having a reasonably accurate assessment of the delicate balance between the risk taking of a financial institution and an appropriate level of capital available to absorb unexpected losses and intervening early when there is an imbalance. Having a capital level that is too low vis-à-vis the risks being taken, especially for SIFIs, can lead to a highly vulnerable financial system. This shortfall contributed to the loss of confidence among counterparties, funds providers and investors. Conversely, having capital requirements that are excessive could drive risk to less regulated entities which may pose new risks to the system instead of eliminating them. The crisis clearly revealed, albeit under highly stressed and largely unforeseen circumstances, that some supervisors were not successful in achieving an appropriate risk assessment/capital requirement balance. Therefore given the above, stronger supervision of SIFIs in good times as well as bad, is necessary to support policy changes. Because of the high cost of the past performance failures in supervisory assessments, supervision of SIFIs must clearly be more intense, more effective, and more reliable.

Making the recommendations in this report enduring

The standard setters, including the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors have a lead role in the ongoing setting of standards for financial institutions in their respective areas of responsibility. The Financial Stability Board acknowledges that role and as such we encourage all standard setters to review the recommendations for the supervision of SIFIs in this document and consider how these are best implemented to ensure that national authorities are continuously subjecting large systemically important firms to effective and sufficiently intense supervision. In addition, standard setters should also consider how some of these recommendations might be taken on board for lesser systemic institutions which have the potential to become systemic either through expansion of their business or through changes in the financial environment. While several of the recommendations refer to the Basel Core Principles ("BCPs"), other standard setters should assess how well their core principles address the issues noted.

In the future, supervisory authorities must conduct themselves with a "through the cycle" mentality and resist the forces toward leniency which go hand in hand with economic serenity. To this end, the FSB through its peer review processes and the IMF-World Bank though their FSAP work, will both play an important role in preventing reversion in the area of supervisory intensity and effectiveness.

II. Findings

The findings coming out of this work are summarized in the 10 points listed below. A summary of recommendations can be found in the Annex "A".

1. Mandates

***Recommendation**: All jurisdictions should self-assess against all sections of Principle 1 in the current Basel Core Principles (BCPs) given that IMF-World Bank FSAPs continue to have findings in this area. Deficiencies identified and the intended corrective action should be reported in a letter to the FSB chair (and shared with FSB members) by the end of June 2011. Implementation could be subject to future peer reviews. In addition, insurance supervisors should self assess against the equivalent International Association of Insurance Supervisors ("IAIS") Core Principles (ICPs) within 6 months of their date of issue (expected to be October 2011). As in the BCP reviews noted above, deficiencies and corrective action plans should be outlined in a letter to the FSB chair and shared with FSB peers.*

***Recommendation**: Consideration should be given to expanding on BCP 1 related to independence and mandates, but possibly also in BCPs 19, 20 or 23. The principles should* *express: i) a need for early intervention to be an element of the supervisor's mandate and, ii) it should expand on what is meant by "clear" when describing an authority's responsibilities and objectives. For action suggested by the end of December 2011.*

***Recommendation**: The IAIS should consider enhancing the relevant ICP that relates to mandates by incorporating the appropriate references on mandates that are currently in the ICP 2 explanatory note.*

The standard setters' core principles are very useful frameworks for setting the minimum standards for sound supervisory practices. BCP 1 in particular, addresses the crucial issues of objectives, independence, powers, transparency and cooperation. For insurance supervisors, ICP 2 also makes some reference to these areas. Discussion within the FSB has revealed the degree to which mandates in particular have a role in strong SIFI supervision.

(i) Mandates geared toward active early intervention can facilitate a culture where supervisors have the will to act early. The mandate should convey the point that the supervisory authority's risk view of a firm will always reflect a higher degree of conservatism and will therefore often be a source of conflict when viewed against the respective risk appetites of the SIFI's senior management, board and shareholders. Such recognition can help provide the foundation for intensive supervision especially when economic times are favourable.

    When supervisors take an early intervention approach, there are often no tangible risk indicators (i.e. losses) to confirm that this intervention is needed, so this makes it difficult to convince a firm and their boards that such measures are necessary to deal proactively with emerging areas of risk within a SIFI. This can be especially difficult given that the SIFIs and their senior management may be seen publicly as highly successful (i.e. CEO of the year), or as promoting the public good through lending and other risk taking in accordance with societal and governmental priorities (i.e. promoting home ownership, business lending, or local markets as international financial hubs). By contrast in the eye of the supervisor they may be seen as taking undue risks, potentially leading to an unsound financial institution. The supervisor must be guided by an appropriate mandate in order to take the right path.

(ii) The BCPs very appropriately require that mandates be clear, however the desire for clarity could be expanded upon. For instance, while a mandate might be clear, it might also have elements which can conflict or draw focus away from quality and timely core supervision. Examples of this include mandates which require supervisors to contribute to the attractiveness of the local market as a financial centre, or to handle highly politically sensitive issues in addition to prudential banking supervision including consumer protection activities and anti-money laundering work. Supervisory authorities vary in opinion on the degree to which these can impair prudential work, and in some cases they see a role for some of these duties in informing the supervisory process (i.e. know your customer failures in AML can indicate a weak credit underwriting program in a firm). Some participants felt that when handled carefully, multiple elements within a mandate could be mutually reinforcing. An appropriately balanced mandate and supervisory framework that draws inputs from these other elements to identify risks and facilitate early intervention could help to safeguard against additional systemic risks. In such a case, appropriate organisation structures within supervisory authorities should clearly separate accountability and resources from potentially conflicting objectives to mitigate distraction from core supervision. This should be supplemented by a system of checks and balances for the decision making process at the top of the organisation. It would be most desirable that the BCPs expand on mandate clarity by suggesting that if such potentially conflicting elements are present in the supervisor's mandate, then increased urgency in those additional areas of responsibility should in no way unduly draw the focus away from the primary safety and soundness objectives of the supervisor.

2. Independence

Recommendation*: Consideration should be given to expanding on BCP 1(2), specifically to consider providing more guidance on the key features and structures that should support operational independence and also expanding on some of the criteria for assessment. For instance some criteria that could be considered would be, under what circumstances key decisions on individual companies be referred to the government; supervisory agencies should not manage or otherwise run the enterprises they supervise; the boards of supervisory agencies should not have directors who represent the industry. In addition, the criteria (or guidance) for appropriate budgets could be fleshed out more to highlight and promote those funding models that preserve budgetary autonomy and provide the management of supervisory agencies with the ability to establish their own budgets and line elements, with full transparency, and provide access to needed skilled staff, technology and outside resources required to carry out their responsibilities. This should also be supplemented with guidance (and associated criteria) on the desirable features of accompanying accountability structures that are needed to backstop operational independence and budgetary autonomy.*

This area has seen a high incidence of failure in the IMF-World Bank FSAP assessments. Such failures should be considered unacceptable and more pressure should be placed on jurisdictions who do not comply. Reinforcing the operational independence of supervisory agencies is critical to ensuring supervisory effectiveness and credibility in general. Supervisor independence is of particular importance as the mandates of agencies is broadened to include authority to take countercyclical actions such as imposing more conservative underwriting standards in boom times, or raising capital requirements, which may run contrary to public perceptions of risk and be politically unpopular. Supervisory independence is rendered even more challenging when dealing with SIFIs, who are often in a position to exercise greater influence on supervisory outcomes. BCP 1(2) lays out several criteria in regard to operational independence which highlight its close link with the ability to access adequate resources and staff. Assessments by the IMF and the World Bank of more than 130 countries over the past decade reveal that more than a third of the countries do not comply with these requirements.

FSAP assessors have noted from discussions with national authorities the challenges in arriving at conclusions on whether supervisory agencies are independent, because industry or political influences are often exercised subtly and there is minimal guidance on good practices underlying the criteria and on assessing them. It is important to point out that in some cases supervisors took their cue from the political economic agenda of the day and did not intervene to question lending practices that supported national financial prosperity and relied on market forces to impose discipline on large financial institutions and the financial industry as a whole. These pressures will no doubt appear again in the future so having true independence in the oversight and supervision of financial institutions will be a prerequisite for financial stability.

3. Resources

Recommendation*: Consideration should be given to expanding on the Basel Core Principles (BCPs), in particular Principle 1 related to core resources. Specifically Principle 1(1), additional Criteria 1 on resource allocation, should expressly note that resource allocation must consider systemic risks posed by banks and should reflect the fact that for SIFIs, there is a minimum acceptable level of annual work that should not be breached.*

Recommendation*: As part of their annual resource planning exercise, supervisors should regularly (at least annually; on a rolling basis) take stock of existing skills and projected requirements over the short to medium term and review and implement measures that could be taken to bridge any gaps in numbers and/or skill-sets. Such measures could include more flexible hiring policies, schemes for secondment of staff to industry, or other supervisory national/international agencies. This effort would be aimed at providing access to specialist skills on a temporary basis as well as provide opportunities for supervisory staff to better understand industry practices.*

Resources were a continuing theme in the FSB discussions. On the funding issue, many supervisory agencies are still in central banks and most of these have access to more stable funding via the central banks. Of those outside central banks, funding sources are usually industry fees or government budgets or some combination of the two. A model based on industry fees versus one derived from government budgets seems preferable as it would guarantee a more stable funding source over the cycle; allow for supervisory services to be better priced and adjusted for market developments; and would shield the supervisory agency from being subject to fiscal vacillations. In some countries the quantum of fees that can be levied are decided (even capped) by the ministry or by a formula set out by Parliament, which creates independence issues. Currently, several supervisory agencies have seen their budgets cut sharply as part of broad civil service cost reduction initiatives. These cuts are coming at a time when there are high expectations being placed on these agencies to ensure financial stability in a volatile environment where more skilled resources are required.

A detailed comparison of the number of supervisory resources applied to a SIFI is difficult because different supervisors are carrying out different functions given the breadth of their mandates (i.e. one supervisor might audit the financial statements of their SIFIs whereas others rely on external auditors for that work). Notwithstanding this, there is a wide range of supervisory resourcing applied by different national authorities to SIFI supervision. Per SIFI, it ranges from a low of 14 people, to a high of over 100 which can include the exclusive use of dedicated teams or a mix of dedicated teams and teams that participate in the supervision of all SIFIs and non-SIFIs (i.e. specialized examiners and examiners responsible for off-site monitoring). The resource levels falling within those end points tended to be roughly 40 to 50 supervisors per SIFI. It is difficult to opine on the benefit of very large teams versus smaller teams, but the FSB members generally agree that the “will to act” is a better precondition for effectiveness versus sheer size of the team.

Some supervisors felt that hiring specialist skills from the market was key in that they have a view “from the inside” that cannot be obtained from being a career supervisor, while others felt that internally "home grown" supervisors could do the job better and had a more questioning attitude toward market fads. The polarized opinions on this issue are quite engrained and cannot be conclusively settled given that evidence is purely anecdotal. All agreed however that hiring private sector expertise was costly and some agencies may have the desire but not the budgetary flexibility to acquire the needed expertise which can put them at a disadvantage.

In addition, some agencies felt constrained in terms of ability to increase resources not only as a contingency for future problems, but even where resource problems were imminent. Given the potential cost of having an under-resourced supervisory authority, jurisdictions should err on the side of having some prudent level of reserve capacity. While good resource planning is essential, resource planning should reflect the fact that unforeseen events will happen and will require that resources be at the ready to react quickly. This is particularly true for SIFIs. Resource planning that is too tight and too inflexible can create risks in and of itself.

Even where resources at a SIFI were deemed broadly adequate, new areas are emerging where specialized resources may be in short supply globally, such as more resources to focus on continuous monitoring of models used by SIFIs (both pillar 1 and pillar 2 models). In such cases, globally co-ordinated training programs resourced jointly, could help to fill this need.

4. Supervisory Powers

Recommendation*: Consideration should be given to expanding the list of required supervisory powers in BCP 23 EC 4, 5 and 6 which cover corrective and remedial powers of supervisors. Since the crisis, the need for tools such as increased liquidity requirements, large exposure limits, imposing dividend cuts, requiring additional capital etc. have come to the forefront. Given that a full suite of powers is critical to a supervisor executing their role, the inventory of required tools should be updated. For action suggested by the end of December 2011.*

Recommendation*: All jurisdictions should self-assess against the tools noted above. Deficiencies identified and the intended corrective action should be reported in the same letter to the FSB chair referenced in Section 1 of this report covering mandates, by the end of June 2011.*

Discussions within the FSB revealed that not all supervisors have the range of powers (i.e. full set of tools) needed to impel change. These include an inability to require more capital or liquidity, an inability to cut dividends and to have a full comprehensive supervisory view of a firm. Failures in BCP 23 covering corrective and remedial powers of supervisors are relatively frequent in FSAP assessments. There should be zero tolerance in the global supervisory community for authorities who are operating without an adequate suite of powers.

5. Improved Techniques

Since the crisis, supervisors are reassessing their supervisory approaches and making changes based on lessons from these events. Depending on their experience set, each supervisory authority has a different set of lessons learned. The FSB group has identified several areas where improvements to existing supervisory techniques are being made or should be made, in different jurisdictions. It is believed that work in all of these areas is important and that supervisors globally could benefit from a unified work effort in these areas to bring a broader spectrum of experiences into the various national supervisory framework redesign efforts that are currently underway.

Key areas for consideration include:

Focus on Outcomes

Recommendation*: Supervisory authorities should determine whether their frameworks for risk assessment focus enough on the risk outcomes that result from the processes which are being evaluated. This would include both looking at trends in the quality of outcomes and checking and aligning risk assessments against stress test outcomes (i.e. do business lines rated as low risk show outcomes that support this assessment in stress tests?).*

In the post-crisis analysis, there is a concern that some supervisory authorities focused their risk assessments more on processes and characteristics than outcomes. This includes spending a majority of their supervisory effort looking at the governance frameworks and processes in areas such as risk management, credit risk approvals, board oversight, and capital adequacy assessments, without enough analysis to confirm that the outputs of the processes in terms of the resulting risk profile and exposures were consistent with supervisory expectations. To illustrate the point, note that prior to the crisis many SIFI's risk management processes had been assessed by supervisors to be acceptable. However, when looked at in hindsight, these risk management regimes presided over a period of falling underwriting standards, poor risk/reward decisions and increasing complexity. There was insufficient analysis by supervisors of whether the processes were likely to produce outcomes that were within the banks' risk appetite, and even if they were, whether the risk appetite was acceptable for a regulated institution.

Horizontal Reviews

Recommendation*: Consideration should be given to expanding BCP 19 and BCP 20 on supervisory approach and supervisory techniques respectively. In particular, there should be greater discussion of the use of horizontal reviews and good practice around the use of this valuable supervisory tool.*

Recommendation*: The FSB should develop a means for the broad, thematic (i.e. not sensitive firm specific) results of domestic horizontal reviews involving one or more SIFIs to be shared within the FSB Peer Review Council allowing for peer supervisors to consider how their SIFI firms compare and to understand which supervisory issues are receiving attention in other countries.*

A horizontal review is one that is performed across many institutions around a common subject with the goal of revealing the range of practice among the firms. There are two angles from which the outputs should be looked at. One is from a relative firm-by-firm angle and the second is from a group angle (i.e. current broad industry practice versus ideal broad industry practice). From a relative angle, a firm-by-firm review should provide a relative ranking to determine which firms may lag their peers and identify what areas need to be addressed to bring the firm back in line with its peers. The second angle, which is less often used, is to determine if the industry practice as a whole is strong enough to address the risks embedded in the activity.

Both supervisors and industry participants see this type of review as valuable. Supervisors find that advising a firm that they lag their peers often makes an effective argument which results in action within firms. Boards and senior management of firms find that understanding the range of practice in industry very helpful in assessing the quality of their control functions.

To make horizontal reviews more effective, the following observations should be taken account of:

(1) The highest quality output comes from ensuring that people with expert knowledge are used to perform the review.

(2) The choice of the peer group can have an impact on the quality of the review outcome. Supervisors should carefully consider which firms are chosen to take part in the review and the reasons why they are selected.

(3) To assess the broad current practice within industry against where the ideal practice should be requires a detailed understanding of the products under consideration and the risks associated with those products.

(4) Timeliness of execution and communication back to firms is key. When possible these reviews should be performed in parallel or near parallel fashion. The sequential execution of reviews over a long period of time dampens the results.

(5) When reviewing a SIFI or a group of SIFIs within a single jurisdiction, authorities should seek out a global perspective when considering the results. This can include from a peer authority or a third party firm which might have a broader perspective on the state of practice globally.

(6) Authorities should have an established communication regime for horizontal reviews which addresses the need for assessments to go to the firms' board, the CEO and where appropriate some higher level aggregated information provided to peer firms who may or may not have participated in the review so that they can to gain from the thematic lessons learned.

(7) The thematic results of horizontal reviews performed within a national jurisdiction can be beneficial to the global supervisory community as a whole, especially as it relates to SIFIs. Forums for the communication of thematic information (not firm specific) should be considered by the FSB.

(8) Horizontal reviews need not always be grand undertakings. At times, simple horizontal outlier analysis on readily available firm reports can often provide helpful supervisory insight. It should be noted that some supervisors are not as aware as they should be of what information is submitted to the national authority by firms. Simple analysis of some of these reports, including trends and peer comparisons, can help a supervisor to spot areas of potential risk and therefore help to better target future work.

Assessment of Boards

***Recommendation**: Consideration should be given to developing expanded BCBS guidance to supervisors on how to assess a board with the goal of being better armed with tools and techniques which enable better determination of board effectiveness.*

A well functioning board is critical to the success of a firm. The BCBS document titled "Principles for enhancing corporate governance" sets out some very important guidance around structure and responsibilities of the boards of banks. The true effectiveness of a board is often only apparent after seeing the outcomes of a major stress event. For supervisors, this is too late when considering their need to be proactive in ensuring corrective action before severe losses materialize. Determining and ensuring the true effectiveness of a board can sometimes be elusive. In the absence of tangible evidence of effectiveness or the lack thereof, a supervisor's activities and assessments of boards might default more to the regulation and evaluation of characteristics of the boards and their processes versus having a robust evaluation of the boards leading to a true assessment of effectiveness.

The FSB discussed some different approaches currently employed by supervisors globally to improve board effectiveness, such as:

(1) subjecting prospective directors to comprehensive interviews by the supervisory authority before a director joins the board;

(2) requiring mandatory training sessions for directors relating to the duties, roles and responsibilities of a SIFI board member;

(3) reinforcing the high expectations of board members by periodically interviewing each director individually to get a sense of how informed and proactive they and their peers, have been;

(4) having supervisors attend and observe SIFI board meetings (one country);

(5) ensuring regular communication with boards to discuss the most recent supervisory findings including having a recurring meeting with the full board as well as in camera discussions with its non-executive members at least once a year (many are now starting this practice while others are considering it).

Other observations indicate that some countries are taking steps to establish more rules in the areas of independence of directors, maximum terms for directors, and the separation of chair and CEO. Additionally, some supervisors are using interactions with boards as a way to understand whether some institutions are "too complex to manage." The focus is on whether directors understand the various complexities and can provide assurances that they grasp the nature of the risks being taken by the firm and how they are managed.

In addition, more focus must be placed on understanding the role of the board in the setting of risk appetite for firms and monitoring whether the business lines continue to operate within the parameters of that risk appetite.

Financial Statement Analysis

***Recommendation**: Consideration should be given to expanding BCP 19 and BCP 20 on supervisory approach and supervisory techniques respectively. In particular, there should be greater discussion of the use of financial analysis and the enhancement of supervisory* *practices around the type and depth of financial analysis that can help inform supervisory risk assessments.*

Supervisors over the years have focused on developing frameworks which opine on the control environment in an institution. Upon reflection, there is some realization in the supervisory community that this may have been at the expense of financial statement analysis. Financial statement analysis, especially at the business line level can provide a deeper understanding of trends that are developing in a firm. For instance, business line income statement analysis can show in which areas a firm is growing and can give clues about the actual risk appetite of a firm versus its stated risk appetite. Such analysis can show where excess yields are being earned which might express excess risk taking, and can indicate changes in strategy of a firm. Expected versus actual comparisons can give clues about a bank's ability to achieve the goals it has set out in its strategy. Few supervisors set aside time for detailed financial statement analysis when planning blocks of work.

Business Models and Product Analysis

Recommendation*: Consideration should be given to expanding BCP 19 and BCP 20 on supervisory approach and supervisory techniques respectively. The BCPs should consider covering the area of business model assessment and product oriented risk analysis, such that supervisors are guided to better understand the risk embedded in the business models of the banks as well as in the design of their product offerings. In addition, the BCPs should reflect the need for supervisors to ensure that firms have processes to monitor post-approval alterations made to new products which may alter their risk profile. In such cases, the firm's new product approval process should be re-applied.*

The crisis revealed that many banks and their supervisors did not understand the risks embedded in the products being offered. This is partly because the knowledge base of the firm's oversight functions and the national authority's supervisors had not kept pace with the innovations taking place within the business lines of firms. SIFIs in particular are constantly innovating, and will continue to do so in the future. Feedback from industry indicated that they felt that supervisors did not seem to have the willingness to challenge firms on the riskiness of their products and that part of the reason for this was that supervisors did not understand the products to a great enough degree. This means that supervisors must put forward a greater effort to break down the products or decompose the innovations into their component parts and deeply analyze them. It is only through this approach, that the true nature of the risks being taken by a firm can be understood. This can be done when products are first introduced, as some supervisors have done as part of their new product approval process, or it can be done as an ongoing program of transaction testing, where transactions in targeted businesses (i.e. businesses showing abnormal growth or yields) are randomly selected and decomposed by the supervisor to understand the nature of the risks being taken. This can arm the supervisor with better tools to challenge the business lines' risk taking and risk reporting into their oversight structures. The communication issues discussed later in Section 7 of this report titled "Continuous and Comprehensive Supervision" will be greatly enhanced by this process.

One cautionary note regarding new product approval processes within firms and supervisors (where applicable) is that in some cases there should be more rigidity within a firm's risk control processes to considering changes to new products subsequent to their initial approval.

In the past, some business lines within firms have taken liberties by making material alterations to a product's design post-approval. In some cases these design changes were made to overtly exploit the original approval, but in other cases a series of small and relatively immaterial changes were made over time which resulted in a product that was quite different in key features and ultimately in risk profile versus what was initially understood by the oversight functions.

Quantitative Models outside Pillar 1

Recommendation*: There are no BCBS standards for approving quantitative models outside of pillar 1. Given the pervasiveness of their use, consideration should be given to addressing quantitative models more fully in international guidance.*

The FSB noted that the usage of computational models at SIFIs is pervasive and is often a distinguishing feature of a SIFI. Furthermore, supervisors may not be fully aware of the extent of model usage in SIFIs. Models commonly reviewed by supervisors include those models used in the calculation of pillar 1 capital charges, models used for valuations in capital markets businesses and models used in the approval of credits. While models have many benefits they also have many risks and limitations, and this must be understood by supervisors as well as the firms' oversight functions. It is generally felt that quantitative models may be "over-relied-upon" in many SIFIs and it is the duty of the firm's oversight functions as well as supervisory authorities to challenge that reliance. For a firm's oversight functions to be able to present such a challenge, high functioning risk and control systems and processes must be in place.

Some authorities may have had more rigorous procedures than others, but some supervisors felt that they had focussed too much on initial model approvals and not enough on continuous monitoring of models after the approval was given. The latter is no less important than the initial approval to ensure that models remain relevant and are continuously performing to the standards which were initially set out. Some supervisors have already begun to address this but others felt constrained due to resource limitations.

Stress tests

Recommendation*: The FSB encourages the BCBS to conduct a peer review against the May 2009 Basel Committee paper titled "Principles for sound stress testing practices and supervision".*

The use of stress testing has increased in recent years. Many firms have made progress in enhancing their stress testing tools and processes. Concurrently, many supervisors have made progress in developing system wide stress test programs which have been beneficial to understanding pockets of risk in the system. Both the financial industry and the supervisory community are highly supportive of these tests. Given that development is happening on both fronts, it would be beneficial in the future to take a more partnered approach (supervisors and firms) to stress testing. A mutual approach to things like system-wide reverse stress testing, and common scenario development, can make this an even more powerful tool for identifying risks in the future.

The following two items should be considered by supervisors within their own assessment work: (i) firms must put greater effort into integrating data systems given their critical role in risk monitoring and oversight reporting. Years of underinvestment in this area have culminated in a critical need for improvement in many large institutions; and (ii) expectations for controls in SIFIs will be higher in the future and firms should be making adjustments and investments now to ensure they can meet those future higher standards. Supervisors should communicate to the financial industry that much of the effort in these areas fall on the firms to make in order to meet the higher expectations that supervisors and the public have for SIFIs.

Data Aggregation

Recommendation*: Supervisors should study their data needs and data processing capabilities in the context of the higher requirements for SIFI supervision. Where there are deficiencies in any or all of i) the type of data collected, ii) the authority's ability to process the data in a timely and fulsome way, or iii) their ability to collect ad-hoc data in a timely manner, these should be addressed as soon as possible.*

The collection, monitoring and analysis of data is a very important component of SIFI supervision. There appears to be significant variation in the quantity and type of data collected and utilized by each supervisor. The purpose for which data is used also varies with different supervisors using data for different combinations of:

(1) identifying risk areas for future examinations;

(2) doing stress tests to determine whether capital is adequate;

(3) replicating the bank's own stress tests to challenge outcomes;

(4) analyzing the adequacy of provision levels;

(5) monitoring portfolio risk rating migrations;

(6) back testing the supervisory risk assessment;

(7) performing peer comparisons of pillar 1 risk quantification.

Note: Data has not typically been used to analyze interconnectedness but there is movement in that direction.

Likewise, there appears to be a wide variation in the internal IT systems that authorities employ to query the data collected and provide useful information to supervisors.

Some supervisors report considerable push-back when asking for more data and run into road blocks, such as requirements for a cost-benefit analysis as justification for the request. This could cause harmful delays. Push-back often reflects the fact that such data is not currently collected by the SIFI and is expensive and time consuming to provide. At the same time, a negative reaction may be because senior SIFI management realize that a failure to collect certain important data reveals a risk management weakness in their organization.

An important issue is how granular the supervisory data requests should be. Where a supervisor requests data feeds from a financial institution that have been highly processed, then they will be subject to the same informational blind-spots that the institution is subject to. Having more granular data feeds allow supervisors to do their own detailed analysis as a back test to the SIFIs analytical processes. Another advantage to having detailed data is that when new issues come up (such as sovereign risk), the supervisor has immediate access to the information required; the alternative - making a special request - can lead to delays as well as to signalling problems (i.e. if the supervisor is asking about borrower "x", then that may signal the bank that there is a problem which they are not aware of and the bank might potentially decide to cut their exposures to that borrower for no reason other than the supervisor's inquiry). Direct access to a SIFI's MIS is available in some jurisdictions and the advantage is described as large given that it is real time information which is accurate, whereas when data is submitted in regulatory returns it can be provided with a substantial delay and can be prone to error because the SIFI misinterprets the data request. Supervisors are concerned that, post crisis the ability to request new data will become much more difficult. Supervisors also recognized that requiring a great deal of data can be problematic if it is not used.

The use of data by supervisors to do peer analysis is very common. Peer groupings are sometimes challenging to determine. Often supervisors fall back onto size as the determining element of a peer group but this gives false comfort that appropriate peers have been identified given that peers at the business line level may in fact not be SIFIs themselves. Firm peer analysis on a global basis will be enhanced by the work currently underway as a result of the joint FSB and IMF Report to the G-20 Finance Ministers and Central Bank Governors on October 29, 2009 titled 'The Financial Crisis and Information Gaps'. This report contained 20 recommendations for strengthening data collection and information provision: to capture better the build-up of risk in the financial sector; to improve data on financial network connections; to support enhanced monitoring of the vulnerability of domestic economies to shocks; and to improve the communication of official statistics. This work will ultimately only be possible if the data systems that support the individual banks' operations are sufficiently flexible and robust.

State of the Art Controls including risk management

Recommendation*: National supervisors should consider how their supervisory frameworks set internal control expectations for SIFIs, and they should be confident that the assessment criteria for the control environment at SIFIs set a "higher bar" for these firms to achieve in the areas of internal controls given the potential systemic impact that they pose.*

Higher control expectations include the key areas of risk appetite, data aggregations, and complexity. In the past, supervisors have been generally satisfied if the control environment within a SIFI is described as satisfactory. Since the crisis, the realization has been made that SIFIs must be pushed to strive for a much higher level of control. Supervisors therefore should be asked to consider more stringent SIFI assessment criteria when it comes to the setting and monitoring of risk appetite, aggregating data to feed the risk control and oversight functions, and in finding ways to make the complex firms more able to be overseen by boards and supervised by authorities. In line with observations by the Senior Supervisors Group report titled Risk Management Lessons from the Global Banking Crisis of 2008 issued last year, one of the major areas of resistance expected by supervisors will be requests for SIFIs to enhance their legacy information systems to be able to aggregate risk exposures within very short time windows. These enhancements will be costly which is why many good initiatives in the past have been cancelled or downsized resulting in the data aggregation problem which now exists across the banking industry. How these higher expectations for controls are achieved will depend on the structure of the supervisory framework within each authority.

Similar to the explanation of board effectiveness assessment challenges made earlier, assessing the effectiveness of risk management is equally challenged in the absence of tangible loss. Supervisors globally struggle with this effectiveness assessment and more work internationally should be done in this area.

6. Group-wide and Consolidated Supervision

Recommendation*: All national authorities should prepare a detailed self-assessment against BCP 24 (all ten essential criteria and three additional criteria), develop action plans to fill any identified gaps and produce a letter to the FSB Chairman (to be shared with FSB peers) covering the shortcomings, plans to correct and timelines for completion by June 2011. As it relates to insurance supervisors, once the IAIS has issued their revised ICPs that will apply for supervision of insurers at the legal entity and group level, then a similar process should take place (see time lines in Section 1 of this report titled Mandates). Given the legislative aspect of this issue, national authorities other than supervisors may need to take the lead on this effort.*

Recommendation*: Consideration should be given to elevating additional criteria 1,2 and 3 in BCP 24 covering consolidated supervision, to essential criteria given the importance of these issues for SIFIs These criteria address group-wide supervision, assessing the quality of host country supervision, and the supervision of foreign locations.*

When considering the scope of supervision of a firm, the issues of group-wide and consolidated supervision must be considered. Group wide supervision relates to the supervision of a financial group which considers the group structure, the constituent entities including any non-regulated entities and all the interrelationships within the financial group. Consolidated supervision on the other hand, relates to a supervisory group approach that focuses on the total of individual entities (licensed or not) of a group, consolidated at the level of the top financial or holding company and having a pervasive view within the consolidated entity, as well as applying prudential oversight to all aspects of the business conducted under the regulated entity. So called “blind spots” can be created in both circumstances. Group-wide supervisory work can be impaired when supervisors do not have the legal right or ability to review the group entities including non-regulated entities (including parents and/or affiliates), yet those entities have the potential to pose risks to the regulated entity. Consolidated supervisory blind spots can be created when there are entities within the regulated firm that the consolidated supervisor does not have access to or influence over. In some cases this is caused by business lines that have a primary supervisor that is different from the primary supervisor of the consolidated entity. Competing mandates and approaches of these supervisors can fragment the overall supervisory effort.

At least one of the largest failures in the crisis can be traced back to failures in group-wide supervision. Furthermore, failures in group-wide supervision is a frequent finding in FSAP assessments. Steps must be taken by standard setters in all industries to ensure that the importance of group-wide supervision remains a top priority. Authorities need to assess impediments to full consolidated supervision, including impairments to information gathering in the entire entity and any material affiliates, and impairments created when multiple supervisory authorities are overseeing a firm. If such problems are not addressed, primary supervisors of firms will be faced with the prospect of supervising firms while having insufficient powers and information to properly discharge those duties. Such artificial barriers to full supervision must be removed.

7. Continuous and Comprehensive Supervision

Recommendation*: All supervisory authorities should develop and codify a comprehensive communication regime which calls for frequent communication between senior levels of supervisory authorities and firms to ensure that information flows between industry and regulators on a continuous basis. In addition, a less formal but equally important regime must be developed and maintained between the authority and the firm in the areas of specialized expertise including credit, market and operations risk. (It is expected that such frequent communication is already in place between line functions in a firm and the generalist supervisory teams.) The supervisor's internal communication regime should express the need for escalation of issues vertically and horizontally, and the need to aggregate the outcomes of these interactions into thematic conclusions for senior level consideration.*

Recommendation*: The organizational structure of supervisory authorities should reflect the importance of SIFI institutions, allowing SIFI supervisory team leads direct access to the most senior personnel in the supervisory authority.*

Communication between supervisors and firms is critical to proactive supervision. The FSB work revealed that in some cases, the contact between supervisors and firms, especially at senior levels, was often event driven. That is to say that they only happened after problems appeared. The ongoing relationships were often handled at the lower levels of the firms and supervisory authorities. In some cases, meaningful discussions of a thematic nature did not take place. The information flowing to senior managers in firms and supervisory authorities was sometimes fragmented or incomplete, especially when a "don't escalate bad news" approach was taken at the junior levels of the firm, the supervisor, or both. In fact, feedback from firms reveals that in some cases most of the discussion between firms and supervisors happened on immaterial issues while the more material thematic discussions didn't take place. A continuous communication regime at all levels, but in particular at senior levels, must take place in order for supervisors to spot developing trends in the market, the industry and the supervised firm. This communication is highly important in both good and bad times.

Some supervisors have had good experience with the deployment of industry feedback programs to help identify communication and other supervisor process problems and ultimately improve overall relationships with firms.

8. Supervisory Colleges, Home/Host information sharing

Recommendation*: The work of the standard setters should continue in the area of Supervisory Colleges and Home/Host information sharing. In addition to this, the FSB recommends that by end 2012, the BCBS Standards Implementation Group and the IAIS individually engage in efforts to study the effectiveness of the improvements made to supervisory colleges which may include feedback from the home supervisors who conduct the sessions, as well as host supervisors and members of the supervised firm who participated.*

Cross-border relationships did not work as well as they could have during the crisis. The FSB efforts to develop cross-border crisis management plans will go a long way toward correcting these shortcomings. Supervisory colleges are an important tool, but they are relatively new and as expected, continue to improve as jurisdictions become more comfortable with the process. Colleges should lead to stronger bi-lateral and multi-lateral relationships as well as more joint reviews by home/host supervisors. The FSB welcomes the work being done by standard setters to upgrade the guidance in this area and the FSB suggests that follow-up work in the future should be done to test effectiveness.

There is some concern in the supervisory community that for very large and broadly based international firms, core colleges could be too large to be effective and there may now be too many colleges when one considers the core college, various regional colleges and the crisis management meetings.

9. Macro-prudential surveillance, Multi-disciplinary approach (forward looking)

Recommendation*: Supervisory authorities must have a well developed macro-prudential surveillance approach which is designed to identify trends and developments that might negatively impact the risk profile of its firms. It should be endorsed by all government stakeholders, provide for consultation and coordination with those stakeholders, identify the key sources of market and industry information, articulate a regular communication regime with those sources and take into account the expertise of all of its various disciplines (credit, market, operations risk) when assessing that information. This approach must regularly inform the senior management team within the supervisory authority and where appropriate should generate senior level communication between firms and the supervisor.*

Recommendation*: Consideration should be given to BCP 19 on supervisory approach; in particular whether additional criteria 1 outlining that the supervisory approach should be forward-looking, should be elevated to essential criteria and possibly expanded given the importance of this issue for SIFIs.*

Leading up to the crisis, the forward looking surveillance functions at some supervisory authorities were either non-existent or failed to work. This happened for several reasons but key were a lack of such a function or the failure to bring together multidiscipline views and understand the correlations between risks (credit risk, market risk, operational risk, economic trend analysis, supervisory findings). From a surveillance perspective, frequent discussions with active players in the market including non-banks, can help to develop a fuller view of what trends are developing and why. Supervisors need to be aware of not only trends within the individual firms that they supervise, but also the macro-prudential trends that are developing within the banking industry and the broader environment. To do that, they need to have links to central banks' analyses and stress tests, and then have processes to interact with players in the market to obtain a broader picture of trends which may not be obvious. To enhance such assessments, supervisors need to evaluate this information from a multi-disciplinary angle, taking into account the opinions of experts in many areas including economic, credit, capital markets, operational risk, etc. It is critical that these assessments fully capture the measurement of risk, the interconnections among risks, and the correlations in dynamic market conditions.

Surveillance systems should also take into account changes which are being made in other national jurisdictions. For instance, if changes to lending regulations are taking place in one country, the supervisors in other countries would benefit from taking note of those changes and the reasons behind them, and assessing if the conditions are present in their own jurisdiction which might present a need for change.

The previously mentioned work coming out of the joint FSB and IMF report titled 'The Financial Crisis and Information Gaps' will help advance the global effort in this area.

10. Use of Third Parties

Recommendation*: Consideration should be given to altering BCP 20 related to supervisory techniques. Specifically, the principle might be read to imply that the complete outsourcing of onsite work to third parties is an acceptable substitute for work performed by a supervisors own resources. In the case of SIFIs, this presumption would be met by a great deal of discomfort in supervisory circles.*

Recommendation*: Use of third parties for specially commissioned examinations should be supported by a supervisory assessment of whether the output can be relied upon to the degree intended. These assessments should take into consideration the biases that influence third parties.*

Recommendation*: Consideration should be given to BCP 22 on accounting and disclosure; in particular whether additional criteria 2 outlining the duty of external auditors to report matters of material significance to supervisors, should be elevated to an essential criteria for all firms.*

Recommendation*: The heads of national authorities should prepare a letter to the heads of SIFI external auditors reminding them of the expectations outlined in BCP 22. In addition, national authorities should have regular contact with the regulators of auditing firms to exchange experiences and concerns.*

Any reliance on or use of the work of, third parties must be viewed with some scepticism, yet the use of third parties in supervisory work cannot and should not be avoided. This additional perspective can bring valuable expertise into supervisory assessments. Third parties who do specially commissioned work on behalf of supervisors are often naturally more aligned to their larger potential customer base (i.e. industry) than they are with the home supervisor. The recommendations made above, point out that over-reliance by supervisors can present risk given these potentially deeper loyalties within the industry. Supervisors must take steps to manage such risks and have clear communication of expectations with third party firms before their engagement to ensure that the use of their work does not in fact create impediments to the quality of supervisory judgments. The amount of work that goes into getting comfort with the third party should reflect the degree to which a supervisor relies on that work in making their supervisory judgments.

The recommendations above relating to external auditors BCP 22 arise from supervisors' experiences during the crisis. Given this feedback there appeared to be very few, if any, instances where external auditors proactively contacted supervisors to report matters of material significance even though some may have been present.

III. Assessment Against Core Supervisory Principles

The FSB group discussions of supervisory failures as a result of the crisis reveal in some cases a failure to conform to Core Principles for Effective Supervision. In other cases, the essential criteria for the core principles have been adhered to; however, when it comes to the supervision of SIFIs, the additional criteria that elaborate on effective adherence become very important as well. Unfortunately, the assessment of additional criteria during FSAPs is at the option of the country being reviewed, and even when they choose to be reviewed against them, failure to meet those criteria does not impact the assessment. There are therefore three additional broad recommendations:

Recommendation*: For countries with global SIFIs, the assessment of additional criteria during FSAPs should be mandatory as it relates to the supervision of those SIFIs. Furthermore, failure to comply with those additional criteria should be considered in the final assessment of the subject country.*

Recommendation*: The FSB should continue to discuss the special needs and challenges of SIFI supervision. This group should before year-end 2011 prepare a status report for members on whether further steps should be taken to implement or complement the recommendations set out in "Intensity and Effectiveness of SIFI Supervision".*

In making recommendations for the future, the potential for deterioration over time in the quality of SIFI supervision looms large. In order for these changes to endure over time, supervisors should undertake more frequent self-assessments:

Recommendation*: Between FSAP reviews (approximately 2-3 years after a review), supervisory authorities should prepare a formal self-assessment against the standard setters' core principles, which may in turn be peer reviewed on a global basis. The head of the supervisory authority should prepare a letter to the FSB Chairman outlining the results of these self-assessments and the measures planned to correct any gaps. In the spirit of transparency, that letter should be made available to their FSB peers.*

Appendix “A”

1. Mandates

***Recommendation**: All jurisdictions should self-assess against all sections of Principle 1 in the current Basel Core Principles (BCPs) given that IMF-World Bank FSAPs continue to have findings in this area. Deficiencies identified and the intended corrective action should be reported in a letter to the FSB chair (and shared with FSB members) by the end of June 2011. Implementation could be subject to future peer reviews. In addition, insurance supervisors should self assess against the equivalent International Association of Insurance Supervisors (“IAIS”) Core Principles (ICPs) within 6 months of their date of issue (expected to be October 2011). As in the BCP reviews noted above, deficiencies and corrective action plans should be outlined in a letter to the FSB chair and shared with FSB peers.*

***Recommendation**: Consideration should be given to expanding on BCP 1 related to independence and mandates, but possibly also in BCPs 19, 20 or 23. The principles should express: i) a need for early intervention to be an element of the supervisor’s mandate and, ii) it should expand on what is meant by “clear” when describing an authority’s responsibilities and objectives. For action suggested by the end of December 2011.*

***Recommendation**: The IAIS should consider enhancing the relevant ICP that relates to mandates by incorporating the appropriate references on mandates that are currently in the ICP 2 explanatory note.*

2. Independence

***Recommendation**: Consideration should be given to expanding on BCP 1(2), specifically to consider providing more guidance on the key features and structures that should support operational independence and also expanding on some of the criteria for assessment. For instance some criteria that could be considered would be, under what circumstances key decisions on individual companies be referred to the government; supervisory agencies should not manage or otherwise run the enterprises they supervise; the boards of supervisory agencies should not have directors who represent the industry. In addition, the criteria (or guidance) for appropriate budgets could be fleshed out more to highlight and promote those funding models that preserve budgetary autonomy and provide the management of supervisory agencies with the ability to establish their own budgets and line elements, with full transparency, and provide access to needed skilled staff, technology and outside resources required to carry out their responsibilities. This should also be supplemented with guidance (and associated criteria) on the desirable features of accompanying accountability structures that are needed to backstop operational independence and budgetary autonomy.*

3. Resources

***Recommendation**: Consideration should be given to expanding on the Basel Core Principles (BCPs), in particular Principle 1 related to core resources. Specifically Principle 1(1), additional Criteria 1 on resource allocation, should expressly note that resource allocation must consider systemic risks posed by banks and should reflect the fact that for SIFIs, there is a minimum acceptable level of annual work that should not be breached.*

Recommendation*: As part of their annual resource planning exercise, supervisors should regularly (at least annually; on a rolling basis) take stock of existing skills and projected requirements over the short to medium term and review and implement measures that could be taken to bridge any gaps in numbers and/or skill-sets. Such measures could include more flexible hiring policies, schemes for secondment of staff to industry, or other supervisory national/international agencies. This effort would be aimed at providing access to specialist skills on a temporary basis as well as provide opportunities for supervisory staff to better understand industry practices.*

4. Supervisory Powers

Recommendation*: Consideration should be given to expanding the list of required supervisory powers in BCP 23 EC 4, 5 and 6 which cover corrective and remedial powers of supervisors. Since the crisis, the need for tools such as increased liquidity requirements, large exposure limits, imposing dividend cuts, requiring additional capital etc. have come to the forefront. Given that a full suite of powers is critical to a supervisor executing their role, the inventory of required tools should be updated. For action suggested by the end of December 2011.*

Recommendation*: All jurisdictions should self-assess against the tools noted above. Deficiencies identified and the intended corrective action should be reported in the same letter to the FSB chair referenced in Section 1of this report covering mandates, by the end of June 2011.*

5. Improved Techniques

Focus on Outcomes

Recommendation*: Supervisory authorities should determine whether their frameworks for risk assessment focus enough on the risk outcomes that result from the processes which are being evaluated. This would include both looking at trends in the quality of outcomes and "truing up" risk assessments against stress test outcomes (i.e. do business lines rated as low risk show outcomes that support this assessment in stress tests?).*

Horizontal Reviews

Recommendation*: Consideration should be given to expanding BCP 19 and BCP 20 on supervisory approach and supervisory techniques respectively. In particular, there should be greater discussion of the use of horizontal reviews and good practice around the use of this valuable supervisory tool.*

Recommendation*: The FSB should develop a means for the broad, thematic (i.e. not sensitive firm specific) results of domestic horizontal reviews involving one or more SIFIs to be shared within the FSB Peer Review Council allowing for peer supervisors to consider how their SIFI firms compare and to understand which supervisory issues are receiving attention in other countries.*

Assessment of Boards

***Recommendation**: Consideration should be given to developing expanded BCBS guidance to supervisors on how to assess a board with the goal of being better armed with tools and techniques which enable better determination of board effectiveness.*

Financial Statement Analysis

***Recommendation**: Consideration should be given to expanding BCP 19 and BCP 20 on supervisory approach and supervisory techniques respectively. In particular, there should be greater discussion of the use of financial analysis and the enhancement of supervisory practices around the type and depth of financial analysis that can help inform supervisory risk assessments.*

Business Models and Product Analysis

***Recommendation**: Consideration should be given to expanding BCP 19 and BCP 20 on supervisory approach and supervisory techniques respectively. The BCPs should consider covering the area of business model assessment and product oriented risk analysis, such that supervisors are guided to better understand the risk embedded in the business models of the banks as well as in the design of their product offerings. In addition, the BCPs should reflect the need for supervisors to ensure that firms have processes to monitor post-approval alterations made to new products which may alter their risk profile. In such cases, the firm's new product approval process should be re-applied.*

Quantitative Models outside Pillar 1

***Recommendation**: There are no BCBS standards for approving quantitative models outside of pillar 1. Given the pervasiveness of their use, consideration should be given to addressing quantitative model more fully in international guidance.*

Stress tests

***Recommendation**: The FSB encourages the BCBS to conduct a peer review against the May 2009 Basel Committee paper titled "Principles for sound stress testing practices and supervision".*

Data Aggregation

***Recommendation**: Supervisors should study their data needs and data processing capabilities in the context of the higher requirements for SIFI supervision. Where there are deficiencies in any or all of i) the type of data collected, ii) the authority's ability to process the data in a timely and fulsome way, or iii) their ability to collect ad-hoc data in a timely manner, these should be addressed as soon as possible.*

State of the Art Controls including risk management

***Recommendation**: National supervisors should consider how their supervisory frameworks set control expectations for SIFIs, and they should be confident that the assessment criteria for the control environment at SIFIs reflect the fact that there is a "higher bar" for these firms to achieve in the areas of internal controls given the potential systemic impact that they pose.*

6. Group-wide and Consolidated Supervision

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***Recommendation**: Supervisory authorities must have a well developed macro-prudential surveillance approach which is designed to identify trends and developments that might negatively impact the risk profile of its firms. It should be endorsed by all government stakeholders, provide for consultation and coordination with those stakeholders, identify the* *key sources of market and industry information, articulate a regular communication regime with those sources and take into account the expertise of all of its various disciplines (credit, market, operations risk) when assessing that information. This approach must regularly inform the senior management team within the supervisory authority and where appropriate should generate senior level communication between firms and the supervisor.*

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***Recommendation**: The heads of national authorities should prepare a letter to the heads of SIFI external auditors reminding them of the expectations outlined in BCP 22. In addition, national authorities should have regular contact with the regulators of auditing firms to exchange experiences and concerns.*

11. Concluding Recommendations

***Recommendation**: For countries with global SIFIs, the assessment of additional criteria during FSAPs should be mandatory as it relates to the supervision of those SIFIs. Furthermore, failure to comply with those additional criteria should be considered in the final assessment of the subject country.*

***Recommendation**: The FSB should continue to discuss the special needs and challenges of SIFI supervision. This group should before year-end 2011 prepare a status report for members on whether further steps should be taken to implement or complement the recommendations set out in "Intensity and Effectiveness of SIFI Supervision".*

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Appendix "B"

Senior line supervisors that contributed to producing this report

Chair	**Julie Dickson** Superintendent Office of the Superintendent of Financial Institutions, Canada
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	Sven Deckers Director (Head of Section) Major and Foreign Banks Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
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Switzerland	**Daniel Zuberbühler** Vice Chairman of the Board Swiss Financial Market Supervisory Authority (FINMA)
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International Association of Insurance Supervisors (IAIS)	**Yoshihiro Kawai** Secretary General
Financial Stability Board Secretariat	**Kent Andrews** Advisor Supervisory Policy and Practices