



MONETARY AND CAPITAL MARKETS

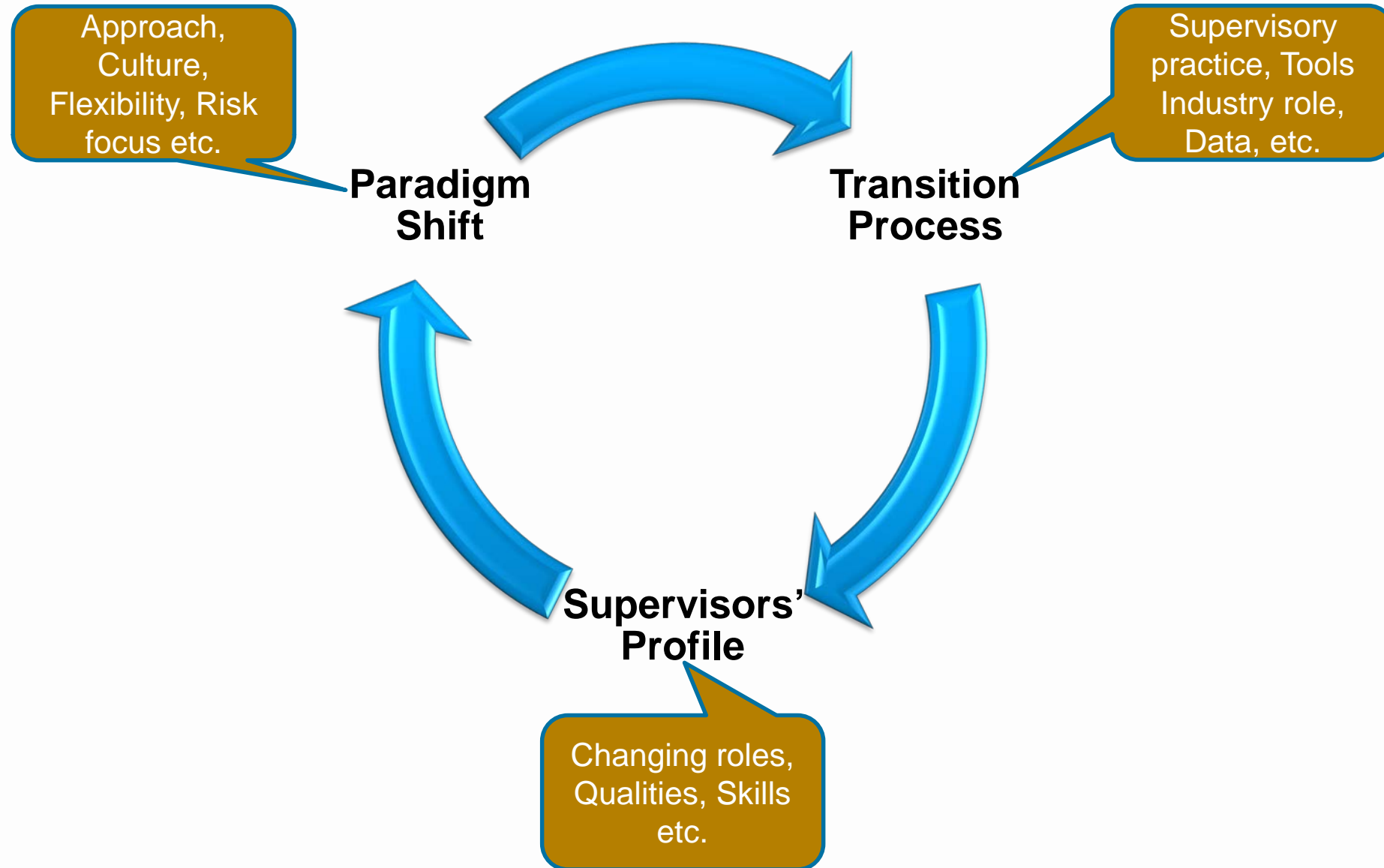
Changing Supervisory Culture: *From Compliance to a Risk Based Supervisory Framework*

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OCTOBER 21, 2019

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Three Elements



Paradigm Shift / Goal / Stumbling blocks

The paradigm shift:

In modern Supervision

Compliance-based:

reactive, rigid,
resource consuming,
unfit for complex
finance

Risk-based:

proactive, dynamic,
forward-looking, more
effective and efficient

Goal:

*Identify risk accumulations
and take early corrective
actions*

A risk-focus verification of
accounts and regulatory
compliance

An assessment of risk –
that cannot be made with
complete discretion, but
within prudential
framework (e.g. based on
a risk matrix and
accompanying risk cards)

Timely response to risk
accumulation

Common stumbling blocks:

Buy-in: Top to bottom

Tailored to country

Rigidities

Communication to
industry

Procrastination and
denial

Risk Based Supervision: Transition Phase



Supervisory practice

- **Change of mindset**
 - Courage to make additional steps towards understanding actual reality, which does not always match tight grid of rules based system
 - Dedication to focus on major issues in system and to employ forward looking approach
 - Valor to enforce supervisor's view, following principles
- **Governance of supervision (including operational independence)**
- **Data framework**
- **New supervisory tools**
 - Measuring and assessing risks and governance (risk matrix)
 - Enforcement policy
 - Communication strategy
- **Capacity building**

Industry preparedness

- Re-designing compliance strategy
- Ensuring data availability
- Adjusting form and content of communication with supervisor

Changing the Supervisor's Profile



SUPERVISORS' QUALITIES

A Good Supervisor needs to be:

- Intrusive
- Comprehensive
- Capable of challenging the bank
- Proactive
- Adaptive
- Conclusive

SUPERVISORS' ROLES

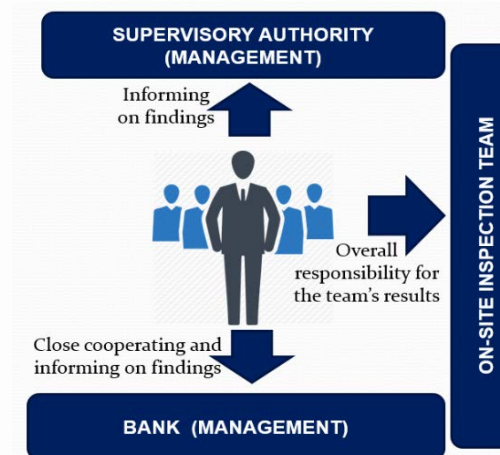
Risk Experts



Coordinators (off-site join supervisory teams)



Heads of Missions



CAPACITY BUILDING

Your views, experiences or questions!



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