Joint Forum
Principles for the Supervision of Financial Conglomerates

Twelfth Annual International Seminar on Policy Challenges for the Financial Sector

Washington, D.C.
8 June 2012

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Introduction

- About the Joint Forum
  - Established in 1996 to deal with issues common to the banking, securities and insurance sectors, including the regulation of financial conglomerates
  - Under aegis of BCBS, IOSCO, IAIS (Parent Committees)
  - Comprised of bank, insurance and securities supervisors

- Examples of work
  - Past: [http://www.bis.org/bcbs/jointforum.htm](http://www.bis.org/bcbs/jointforum.htm)
  - Current:
    - Finalizing 2012 Principles for the Supervision of Financial Conglomerates
    - Analyzing pre-conditions of core principles among Parent Committees
Background

  - Supervision and regulation of financial groups needs strengthening
    - Should capture the full spectrum of their activities and risks

- Objectives of 2012 Principles:
  - To provide national authorities, standard setters, and supervisors with a set of internationally agreed principles that support consistent and effective supervision of financial conglomerates and in particular those financial conglomerates active across borders.
    - Aim is to focus on closing regulatory gaps, eliminating supervisory “blind spots,” and ensuring effective supervision of risks arising from unregulated financial activities and entities.
Status of current work

- Diverse working group formed two years ago

- Public consultation of draft Principles ended March 2012
  - Finalizing edits now

- Joint Forum to review at late June 2012 Plenary meeting
  - Parent Committees - final approval
Major changes from 1999 Principles

- General

- By sections of report
  - Supervisory powers and authority
  - Supervisory responsibility
  - Corporate governance
  - Capital adequacy and liquidity
  - Risk management

- Status of 1999 Principles
  - Additional guidance to be considered
Challenges

In the working group – challenges include:
- Differing sector supervision approaches
- Prescriptive versus principles-based
- Scope
- Responsibility of Group-level Supervisor

In the working group – strongly supported includes:
- Need to address gaps and dark corners
- Need for effective and independent risk management
- Corporate governance principles going beyond fit & proper
- Supervisory cooperation and information sharing critical to achieving group-wide supervision
Challenges (continued)

Public consultation - issues/comments

- Industry concerned with:
  - Overlap and duplication
  - Increasing complexity
  - Costs
- Tension between requests for:
  - More clarity, certainty, guidance,
  - While also more flexibility, principles-based

2012 Principles emphasize:

- The supplemental nature to Parent Committees’ respective Core Principles and to sectoral regulations
- Supervisors should work to coordinate, share information, and avoid duplication
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