

New Chairman

## Press release

Press enquiries: +41 61 280 8188  
press@bis.org  
www.bis.org

19 December 2011

---

### **Joint Forum releases consultative paper on Principles for the supervision of financial conglomerates**

The Joint Forum released today a consultative paper on *Principles for the Supervision of Financial Conglomerates*.

The proposed principles, which revise the Joint Forum's 1999 principles, 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 that are active across borders.

Mr Tony D'Aloisio, Chairman of the Joint Forum, stated that "these principles should, over time, help strengthen the global financial system through more effective and consistent oversight and supervision of financial conglomerates notably including risks arising from unregulated financial activities and entities".

The financial crisis that began in 2007 exposed situations in which regulatory requirements and oversight did not fully capture all the activities of financial conglomerates or fully consider the impact and cost that these activities may pose to the financial system. The principles issued today address complexities and gaps resulting from cross-sectoral activities with a scope of application based on a revised and broader definition of a financial conglomerate.

The proposed principles are organised into five sections and expand on and supplement the 1999 Principles in a number of ways:

#### **Supervisory powers and authority**

The principles are directed to both policy makers and supervisors highlighting the need for a clear legal framework that provides supervisors with the necessary

powers, authority and resources to perform, with independence and in coordination with other supervisors, comprehensive group-wide supervision.

### **Supervisory responsibility**

The principles reaffirm the importance of supervisory cooperation, coordination and information exchange. They clarify the importance of identifying a group-level supervisor whose responsibility is to focus on group-level supervision and the facilitation of coordination between relevant supervisors. New principles have been included which relate to the role and responsibilities of supervisors in implementing minimum prudential standards, monitoring and supervising activities of financial conglomerates and taking corrective action as appropriate.

### **Corporate governance**

The principles reaffirm the importance of fit and proper principles and also provide, through a series of new principles, guidance for supervisors intended to ensure the existence of a robust corporate governance framework for financial conglomerates. These new principles relate to the structure of the financial conglomerate, the responsibilities of the board and senior management, the treatment of conflicts of interest and remuneration policy.

### **Capital adequacy and liquidity**

The principles highlight the role of supervisors in assessing capital adequacy on a group basis, taking into account unregulated entities and activities and the risks they pose to regulated entities. They include new principles on group-wide capital management. The principles also provide guidance on internal capital planning processes that rely on sound board and management decisions, incorporate stressed scenario outcomes, and are subject to adequate internal controls. A new principle on liquidity assessment and management is also introduced – providing guidance for supervisors intended to ensure that financial conglomerates properly measure and manage liquidity risk.

### **Risk management**

The principles set out the need for a financial conglomerate to have a comprehensive risk management framework to manage and report group-wide risk concentrations and intra-group transactions and exposures. Greater emphasis is placed on the financial conglomerate's ability to measure, manage and report all material risks to which it is exposed, including those stemming from unregulated entities and activities. The principles focus on group-wide risk management culture and appropriate tolerance levels; addressing risks associated with new business areas and outsourcing; group-wide stress-tests and scenario analyses for the prudent aggregation of risks; bringing off-balance sheet activities within the scope of group-wide supervision.

The consultative report is available on the websites of the Bank for International Settlements ([www.bis.org](http://www.bis.org)), IOSCO ([www.iosco.org](http://www.iosco.org)) and the IAIS ([www.iaisweb.org](http://www.iaisweb.org)). Comments on this consultative report should be submitted by **16 March 2012** either by email to [baselcommittee@bis.org](mailto:baselcommittee@bis.org) or by post to the Secretariat of the Joint Forum (BCBS Secretariat), Bank for International Settlements, CH-4002 Basel, Switzerland. All comments may be published on the websites of the Bank for International Settlements ([www.bis.org](http://www.bis.org)), IOSCO

([www.iosco.org](http://www.iosco.org)) and the IAIS ([www.iaisweb.org](http://www.iaisweb.org)) unless a commenter specifically requests confidential treatment.

The Joint Forum was established in 1996 under the aegis of the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS) to deal with issues common to the banking, securities and insurance sectors, including the regulation of financial conglomerates.