

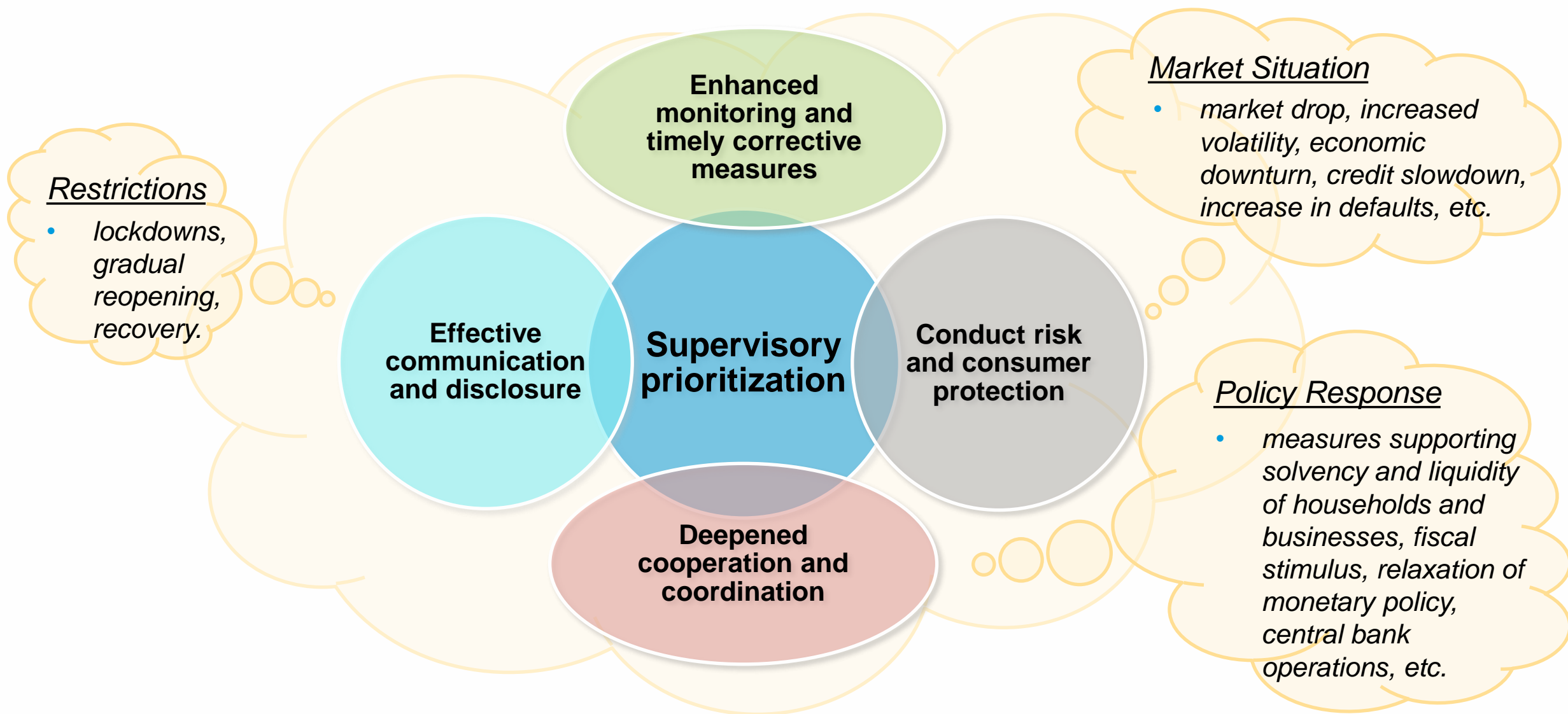


# **On-Site and Off-Site Supervision in the Covid-19 Crisis Environment**

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# Overall Supervisory Response to the Crisis



# Supervisory Prioritization



## Through Crisis

- Reassessing supervisory priorities, on the basis of the evaluation of risks and likely impact.
- Focusing on systematically important, vulnerable institutions (determined by assessing solvency, cash flow, business models, and exposures).
- Supervisory priorities for early corrective measures may need to be adapted to the crisis.

## Lockdowns

- Some activities postponed (stress testing, long-term policy work, nonessential licensing).
- Transformation/reduction/suspension of on-site examinations.
- Strengthened off-site activities.
- Reviewing, clarifying, and streamlining delegation of tasks and internal reporting, taking into account of new (virtual) communication channels as necessary.
- Enhancements or adjustments to IT

## Reopening

- Resumption of supervisory activity, focusing on the main issues.
- Targeted on-site examinations.
- Deeper analysis of mid-term / long-term impact on balance sheets, business models and market structures practices.

# Adapting Supervisory Process (I)



## *Reorganize work programs, realign priorities*

Follow up on management mandate and agenda

Prioritize activities

Establish analytical tools

Organize staff

Employ agile, intrusive, and holistic approaches

## *Ensure effective internal coordination and collaboration*

Adjust management arrangements to crisis mode

Activate/implement tools supporting effective collaboration

Be ready to support financial institution resolution teams

# Adapting Supervisory Process (II)



***Mitigating risks to business continuity***

**Consider deteriorating  
health conditions of  
staff**

**Be ready for extended  
quarantines**

**Be ready for remote  
work**

# Enhanced Monitoring and Corrective Measures



## Through Crisis

- Monitoring of the impact of the regulatory relief measures.
- Intensified dialogue with boards and senior managements of financial institutions.
- Additional reporting (granular data on e.g. credit risk, FX risk).
- Corrective measures, taking into account structural/legacy issues, focusing on weak financial institutions.

## Lockdowns

- Adjustments to the frequency of reporting, or/and dropping certain regulatory reporting.
- Additional reporting:
  - Credit risk – focus on the impact of regulatory measures adopted for the time of lockdowns (e.g. moratoria).
  - Liquidity risk – daily data to reflect on market illiquidity, volatility and deterioration in issuers or counterparts.

## Reopening

- Monitoring of the phase out of the regulatory relief measures.

# Enhancing Monitoring



***Activate a system to share updated information and identify excessive risk accumulation***

**Adjust data sets on liquidity risk**

**Adjust data sets on credit risk**

**Adjust data sets on FX risk**

**Adjust data sets on market risk**

**Establish frequent/daily reporting to management**

***Enhance meeting schedule with financial institutions***

**Set up a new routine towards significant and potentially fragile financial institutions**

**Establish an efficient venue to reach out to all financial institutions**

# Timely corrective measures



*Adjust approaches to corrective measures*

**Revised triggers for early action**

**Enhanced viability plans**



# Deepened Cooperation and Coordination (I)



## Actions

### Cooperation mechanisms

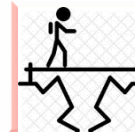
- Mechanisms for enhanced coordination and cooperation with other foreign and national financial authorities, including national inter-agency coordination body
- National cooperation body: ministry of finance, central bank, other key regulatory authorities, and independent resolution authority and deposit insurance



## Rationale

Supervisors must be ready to flexibly reflect challenges of new modalities of work in cooperation and coordination

**All these authorities can benefit from information sharing and coordination of their steps, to fulfill their mandates.**



## Challenges

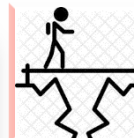
- Cooperation should not affect the respective individual mandates of the institutions involved!
- Supervisors' technical independence should not be compromised by political considerations!

# Deepened Cooperation and Coordination (II)



## Actions

- Ministry of Finance: fiscal support programs → assess how they relate to long term supervisory goals
- Central Bank: availability of emergency liquidity support and its terms; checks to ensure that no legal or administrative impediments prevent a bank in need to pledge collateral for emergency liquidity assistance
- Other Supervisors/Resolution Authority: supervisory teams in active cooperation to supervise complex groups; advance notice of major supervisory measures
- Deposit Insurance: ensure deposit insurance agency is aware of potential for deposit insurance payouts to be triggered



## Challenges

- Establishing IT solutions to share updated supervisory actions and data—where permissible by the duty of confidentiality and other legal obligations

# Effective Communication and Disclosure (I)



## Actions

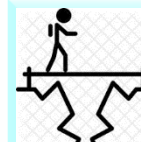
### Broad Communication strategy:

- aimed at the general public, market professionals, domestic and foreign/international stakeholders
- needs to be adapted to the different phases of the crisis, in both content and intensity:



## Rationale

**Credible communication is critical in maintaining confidence in the system, throughout the crisis period.**



## Challenges

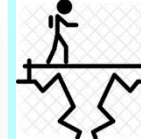
- Strong, but realistic messages on the resilience of the system and the readiness of authorities to support its stability
- Reputation of supervision and the financial system is built up during a long period of time

# Effective Communication and Disclosure (II)



## Actions

- Communication strategy should help:
- (i) identify key stakeholders
- (ii) consider when, how and by whom to deliver clear messages and periodic updates
- (iii) determine outreach channels, for specific groups of key stakeholders
- (iv) coordinate and interact with other authorities.
- Regular information flow among national authorities and communicate with a single voice to outside parties.
- Interactive communication with market professionals and other stakeholders used as a sounding board to better detect emerging vulnerabilities.



## Challenges

- Firms also have a role to play in terms of disclosure and providing meaningful information to stakeholders

# Conduct Risk and Consumer Protection (I)



## Actions

### Guidance to institutions

- Reiterate that consumer protection is not reduced during the crisis.
- Indicate limits of flexibility to changes in terms and conditions for retail clients.
- Advise/require financial institutions to inform customers about changing market conditions.

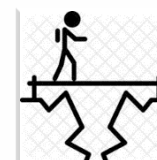


## Rationale

It is an important component of ensuring that critical confidence in the system is maintained

Measures taken in conduct supervision have direct consequences for prudential supervision

Prudential concerns might be signaled by violations in conduct



## Challenges

- Prudential supervisors might have tendency to neglect conduct issues, assuming on limited impact of individual cases
- Chinese walls between prudential and conduct supervisors are too high to be crossed

# Conduct Risk and Consumer Protection (II)



## Actions

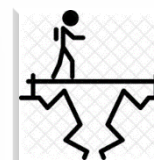
### Effective communication to customers

#### Essential information:

- ✓ Statements on the stability of the system/institutions.
- ✓ Continuity and access to services (payment systems, automated teller machines).
- ✓ Financial safety net (coverage and terms of deposit insurance).

#### More detailed information :

- ✓ Essential retail products (e.g., mortgages), alt. comparative tables.
- ✓ Changes to terms and conditions of payments, including whether and how to apply for postponement of payments.



## Challenges

- Easy accessibility and clarity of information about customers' rights

**Thank you**