



*cutting through complexity*

# **Elec Seminar in Madrid 12<sup>th</sup> June 2014**

**“Moving towards a new  
paradigm in banking  
supervision”**

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# 01

## Lessons from the crisis

- The importance of banking supervision
- The macroprudential side of banking supervision
- The close link between effective supervision and resolution
- The “Core principles for effective banking supervision”. Basel Committee on banking supervision (Sept 2012). Is that enough?
- Is still a need of a “new paradigm” in banking supervision?







## 02

# Core principles for effective banking supervision

- 1-13: Supervisory, powers, responsibilities and functions
- 14-29: Supervisory expectations of Banks (corporate governance, risk management & compliance with supervisory standards)

# 03

## Primary objective for banking supervision

- “The promotion of safety and soundness of banks and the banking system”
- Is it to avoid the future need of public support (taxpayer) in case of a banking crisis a new paradigm in banking supervision? The “Bail-in” paradigm
- Is financial consumer protection a possible new paradigm for banking supervision?





# 04

## Elements of a comprehensive supervision

- To cover macroprudential elements (one of the main lessons of the crisis)
- Microprudential supervision:
  - ✓ Risk based supervisory approach
  - ✓ Consolidated supervision of banking groups
  - ✓ The need for cooperation between banking supervisors and other financial supervisors

# 05

## What the supervisor need

- Adequate regulatory framework
- The necessary powers
- The necessary indemnity
- The link with banking resolution
- The key question of independence (governments, banks and financial industry, the monetary policy...)
- The importance of the “material” resources: competent governance, enough and capable professionals, use of IT
- Follow the best international practices in banking supervision





A nighttime photograph of a city skyline, featuring several tall buildings with lit windows. In the foreground, there are light trails from cars on a street, creating a sense of motion. The image is partially obscured by a white diagonal shape that contains the text.

# 06

## The relationship between banks and supervisors

- The banks as “superpowers”
- High level: the importance of the board and the key committies: good governance and risk management as the main allies for the supervisor
- Both (Banks and supervisors) are subject to banking regulation
- The importance of consistency, predictability and the “due process”

# 07

## The supervisors and the auditors

- Respect and independence
- The auditor should be a partner in corporate governance, risk management, transparency and quality of financial information.
- As instrument for the supervisor (audit firms not the auditor)
- Should be accounting in the scope of banking supervision?







# 08

## The supervisors and the markets

- Once upon a time...
- Banks live in the markets... and also the supervisors
- The need for transparency
- The need for quality in financial information
- How and when to communicate information related to supervision to the markets

# 09

## Are the supervisors prepared for this “Brave new world?”

- Shadow banking
- Global economy
- High frequency trade
- Multichannels and IT
- The new players in financial services
- The new business models



A vertical image on the left side of the slide shows a silhouette of a person in a suit standing and looking out at a dense city skyline with various skyscrapers under a clear sky.

# 10

## Some lessons from the AQR

- Lack of minimum harmonisation in banking regulation...even in Europe
- No single supervisory rulebook
- Poor quality Data
- Data “silos” as a problem for the supervision... and the proper banking management
- The AQR is not “lines in the sand”: it provides a lot of quantitative and qualitative information. Is it good to be used?
- The AQR as an opportunity: not only “capital and remediation plans” but also qualitative remediation plans.



# 11

## Some comments on the SSM

- The ECB: good option
- A necessary reflection on the scope
- Preliminary works: good job
- Comprehensive assessment: big effort. It was a challenge to initiate it when the supervisor was still not present.
- The need for a true “single supervisory mechanism”
- The single supervisory rulebook: the SSM Manual to be applied in the Euro zone
- The importance of a real regulatory harmonisation in the EU (or, at last, in the Euro zone)



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# Thanks!

I am ready for the debate

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