Regulatory Workshop on Risk Based Supervision

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Agenda

- Prerequisites for a risk based supervision program
- Identification and prioritization of risks
- Measuring and monitoring risks
- Reporting
- Calibration
Prerequisites for a Risk Based Supervision Program
What risks do you really care about? Build the model you can support now.

• Strategy is clear, actionable and board level approved
• What risks do you care about?
• An articulation of risk tolerance as part of framework
• Engagement and commitment from senior executives and supervisors
• Understand your capabilities and capacity
• Get the tools you really need
Identification and Prioritization of Risks
The qualitative, the quantitative and what it says to you

• Data analysis for risk identification or to confirm and shape qualitative judgment
• Qualitative judgment to shape understanding of what data may be saying
• Not everything can be top priority – using risk tolerance to help
• Develop desired outcomes for key risks and the reality of what you can reasonably achieve given time
Measuring and Monitoring Risks
What you measure matters.

- What you measure can influence behaviors of intermediaries and supervisors
- Good metrics, bad metrics and great metrics – driving to risk profiles with a comprehensive view
- Capabilities in risk and supervision and the question of independence
- How’s the risk tolerance holding up?
Reporting
Telling the story of progress made. Consistent messaging to stakeholders.

- Telling the story of progress against desired outcomes as detailed in action plans
- Risk tolerance as a core, consistent messaging point
- Different stakeholders need to hear different things but the story must be the same
Calibration
The only constant is change. Calibration is key.

• Economic, business and political environment is constantly changing; the size and shape of risks also change
• Not just calibrating what you measure and how
• Calibrate people capabilities and capacity, processes and governance
• Still using the right data and tools?