

# **A Resolution on The Supervision of Financial Conglomerates**

**Passed by the Presidents' Committee  
October 1992**

Internationalization of markets and the deregulation of national markets have, amongst other factors, encouraged the emergence of large financial conglomerates offering a full range of financial services and operating cross-border in a variety of jurisdictions. The appropriate supervision of financial conglomerates is an issue for securities regulators, as well as for regulators of other financial activities, because experience has shown that problems arising in one part of a financial conglomerate may infect other group companies, including regulated entities.

If regulation is to be effective, regulators must take adequate account of the risk of contagion. The Presidents' Committee therefore believes that the traditional approach of securities regulators to the prudential regulation of securities firms on a solo basis should be complemented through an assessment of the risks which the rest of the financial conglomerate poses for the regulated securities firm. In this respect, the Committee acknowledges the importance of supervisory cooperation between regulators of different sectors and in different jurisdictions when serious concerns arise about the financial condition of a particular financial conglomerate.

The Technical Committee has produced a report on the supervision of financial conglomerates in which it gives its views on what principles should govern this supervision.

The Presidents' Committee agrees that the following principles should form the basis for the risk assessment of financial conglomerates and should be used, as far as possible, to guide the development of regulatory practice and regulatory cooperation in the area of financial conglomerates:

**1. Group-Based Risk Assessment**

Where a regulated firm, which is part of a financial conglomerate and subject to supervision on a solo basis, is vulnerable to the risk of contagion, supervision of the regulated firm should be complemented by group-based risk assessment.

**2. Investments in Other Group Companies**

Where a regulated firm has an investment in another group company or has provided regulatory capital to another group company, these amounts should be controlled by appropriate regulations.

**3. Intra-Group Exposures**

Effective risk assessment of financial conglomerates requires careful monitoring of intra-group exposures, and where necessary limits on such exposures in the regulated entity.

**4. Structure of Financial Conglomerates**

The corporate and managerial structure of the financial conglomerate should be

- fully understood by the regulator and should not create undue difficulties for effective regulation. Regulators should consider whether it is feasible and practical to acquire powers to prevent the manipulation of group structures which makes effective regulation difficult.
5. **Relationships with Shareholders**  
Regulators should seek as far as possible to identify shareholders with a stake in a financial conglomerate which enables them to exert material influence on a regulated firm; the regulator should seek to ensure that these shareholders meet applicable fitness standards.
  6. **Management**  
Regulators should ensure that managers who directly or indirectly exert control on a regulated entity are subject to appropriate regulatory standards; and should seek as far as possible to be able to impose sanctions on managers who have influenced the policy and decisions of a regulated entity in ways which are inconsistent with those regulatory standards.
  7. **Supervisory Cooperation**  
Wherever possible, regulators should seek to cooperate to improve the effectiveness of the supervision of financial conglomerates. In many cases where more than one regulator has responsibility for some part of the financial conglomerate, it may be desirable to identify one regulator who will have primary responsibility for group-based risk assessment. This regulator is likely to emerge as lead regulator when serious concerns arise about a particular financial conglomerate. Each regulator will continue to be responsible for the solo entity in its jurisdiction and the lead regulator will have no authority to seek to take over or interfere with the exercise of that responsibility. The lead regulator's main role should be to ensure that relevant regulatory information about the conglomerate is shared promptly amongst all the regulators concerned to inform their actions.
  8. **External Auditors**  
Regulators should recognize the importance of the role of the external auditors of a regulated firm and the possible contribution they may be able to make to group-based risk assessment. Auditors should be encouraged, where they have serious concerns regarding the financial or operational condition of the regulated entity or the group, to ensure that such concerns are brought to the attention of the supervisor.

The Presidents' Committee endorses these principles and decides that they should guide the actions of all the members in the supervision of financial conglomerates.

# RESOLUTION ON THE SUPERVISION OF FINANCIAL CONGLOMERATES

## Presidents' Committee October 1992

Jurisdiction	Name of the Organization	Signed
<b>REGULAR MEMBERS</b>		
1 - ALGERIA	Commission d'Organisation et de Surveillance des Opérations de Bourse	
2 - ARGENTINA	Comisión Nacional de Valores	Yes (N-2) (93-02-17)
3 - AUSTRALIA	Australian Securities and Investments Commission	Yes (N-3) (93-07-30)
4 - AUSTRIA	Austrian Securities Authority	Yes (N-4) (93-04-22)
5 - BAHAMAS	Securities Board (The Commonwealth of The Bahamas)	
6 - BAHRAIN (State of)	Bahrain Stock Exchange	
7 - BANGLADESH	Securities and Exchange Commission	
8 - BARBADOS	Securities Exchange of Barbados	
9 - BELGIUM	Commission bancaire et financière	Yes (93-08-31)
10 - BERMUDA	The Bermuda Monetary Authority	Yes (N-10) (93-02-01)
11 - BOLIVIA	Superintendencia de Valores	
12 - BRAZIL	Comissão de Valores Mobiliários	
13 - BULGARIA	Securities and Stock Exchanges Commission	
14 - CHILE	Superintendencia de Valores y Seguros	Yes (N-14) (93-02-23)
15 - CHINA (People's Republic of)	China Securities Regulatory Commission	
16 - COLOMBIA	Superintendencia de Valores	
17 - COSTA RICA	Superintendencia General de Valores	
18 - CROATIA (Republic of)	Securities and Exchange Commission	

19 – CYPRUS (Republic of)	Central Bank of Cyprus	
20 - DENMARK	Finanstilsynet	Yes (N-20) (94-06-14)
21 - DOMINICAN REPUBLIC	Banco Central de la República Dominicana	
22 - ECUADOR	Superintendencia de Compañías	Yes (N-22) (93-02-24)
23 - EGYPT	Capital Market Authority	
24 – EL SALVADOR	Superintendencia de Valores	
25 - FINLAND	Financial Supervision Authority	Yes (N-25) (93-07-07)
26 - FORMER YUGOSLAV REPUBLIC OF MACEDONIA	Securities and Exchange Commission	
27 - FRANCE	Commission des Opérations de Bourse	Yes (N-27) (93-05-28)
28 - GERMANY	Bundesaufsichtsamt für den Wertpapierhandel (BAWe)	Yes (N-28) (93-05-05)
29 – GREECE	Capital Market Commission	Yes (N-29) (98-08-19)
30 - GUERNSEY	Guernsey Financial Services Commission	Yes (93-11-12)
31 - HONG KONG	Securities and Futures Commission	Yes (N-31) (93-01-20)
32 - HUNGARY	Hungarian Banking and Capital Market Supervision	
33 – INDIA	Securities and Exchange Board of India (SEBI)	Yes (N-33) (93-02-25)
34 - INDONESIA	Indonesian Capital Market Supervisory Agency	
35 - IRELAND	Central Bank of Ireland	Yes (N-35) (95-05-10)
36 - ISLE OF MAN	Financial Supervision Commission	
37 - ISRAEL	Israel Securities Authority	
38 - ITALY	Commissione Nazionale per le Società e la Borsa	Yes (N-38) (93-03-29)
39 - JAMAICA	Securities Commission	
40 - JAPAN	Financial System Planning Bureau of the Ministry of Finance	Yes (N-40) (93-07-13)

41 - JERSEY	Jersey Financial Services Commission	Yes (N-41) (93-02-15)
42 – JORDAN	Jordan Securities Commission	Yes (N-42) (97-07-07)
43 – KAZAKHSTAN (Republic of)	National Securities Commission	
44 - KENYA	Capital Markets Authority	
45 - KOREA	Financial Supervisory Commission	Yes (N-45) (93-04-16)
46 – KYRGYZ REPUBLIC	National Commission on Securities Market	
47 - LITHUANIA	Lithuanian Securities Commission	
48 - LUXEMBOURG (Grand Duchy of)	Commissariat aux Bourses	Yes (N-48) (93-02-16)
49 - MALAYSIA	Securities Commission	
50 – MALTA	Malta Stock Exchange	
51 – MAURITIUS (Republic of)	Stock Exchange Commission	
52 - MEXICO	Comisión Nacional Bancaria y de Valores	Yes (N-52) (96-07-24)
53 - MOROCCO	Conseil Déontologique des Valeurs Mobilières	No (N-53) (97-07-15)
54 - NETHERLANDS (The)	Stichting Toezicht Effectenverkeer	
55 - NEW ZEALAND	Securities Commission	
56 - NIGERIA	Securities and Exchange Commission	Yes (N-56) (95-07-07)
57 - NORWAY	Kredit Tilsynet	Yes (N-57) (93-02-12)
58 - OMAN (Sultanate of)	Muscat Securities Market	
59 - ONTARIO	Ontario Securities Commission	Yes (N-59) (93-03-24)
60 – PAKISTAN	Corporate Law Authority / Government of Pakistan	
61 – PANAMA	Comisión Nacional de Valores	Yes (N-61) (93-04-10)
62 – PAPUA NEW GUINEA	Securities Commission	
63 – PARAGUAY	Comisión Nacional de Valores	

64 - PERU	Comisión Nacional Supervisora de Empresas y Valores	
65 - PHILIPPINES	Securities and Exchange Commission	
66 - POLAND	Polish Securities and Exchange Commission	
67 - PORTUGAL	Comissão do Mercado de Valores Mobiliários	Yes (N-67) (94-05-05)
68 - QUEBEC	Commission des valeurs mobilières du Québec	Yes (N-68) (96-07-10)
69 - ROMANIA	Romanian National Securities Commission	
70 - RUSSIA	Federal Commission for the Securities Market of the Russian Federation	
71 - SINGAPORE	The Monetary Authority of Singapore	Yes (N-71) (93-02-02)
72 - SLOVENIA	Securities Market Agency	
73 - SOUTH AFRICA	Financial Services Board	Yes (N-73) (97-07-24)
74 - SPAIN	Comisión Nacional del Mercado de Valores	Yes (N-74) (93-07-28)
75 - SRI LANKA	Securities and Exchange Commission of Sri Lanka	
76 - SWEDEN	Finansinspektionen	Yes (N-76) (93-01-18)
77 - SWITZERLAND	Commission Fédérale des Banques	Yes (N-77) (93-04-19)
78 - CHINESE TAIPEI	Securities and Futures Commission	
79 - TANZANIA	Capital Markets and Securities Authority	
80 - THAILAND	Office of the Securities and Exchange Commission	Yes (N-80) (93-11-30)
81 - TRINIDAD AND TOBAGO	Trinidad and Tobago Securities and Exchange Commission	
82 - TUNISIA	Conseil du Marché Financier	
83 - TURKEY	Capital Market Board	Yes (N-83) (93-08-16)
84 - UKRAINE	Ukrainian Securities and Stock Market State Commission	No (N-84) (96-06-18)
85 - UNITED KINGDOM	Financial Services Authority	

86 - UNITED STATES OF AMERICA	United States Securities and Exchange Commission	Yes (N-86) (95-05-23)
87 - URUGUAY	Banco Central del Uruguay	
88 - VENEZUELA	Comisión Nacional de Valores	
89 - ZAMBIA	Securities and Exchange Commission	
<b>ASSOCIATE MEMBERS</b>		
90 - ALBERTA	Alberta Securities Commission	
91 - BRITISH COLUMBIA	British Columbia Securities Commission	Yes (N-91) (93-02-02)
92 - JAPAN	Ministry of Agriculture, Forestry and Fisheries	
93 - JAPAN	Ministry of International Trade and Industry (MITI)	
94 - JAPAN	Securities and Exchange Surveillance Commission	
95 - LEBANON	Banque du Liban	
96 - LUXEMBOURG (Grand Duchy of)	Institut Monétaire Luxembourgeois	
97 - UNITED STATES OF AMERICA	Commodity Futures Trading Commission	Yes (N-97) (93-01-25)
98 - UNITED STATES OF AMERICA	North American Securities Administrators Association, Inc. (NASAA)	