



# Risk-Based Approach to Supervision Framework

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# Outline of Presentation

- The concept of risk to the Regulator
- Objectives of framework- Why Risk-Based
- Introduction to the Commission's Risk Based approach
- How does the RBA affect you as an applicant for licensing
- How does the RBA affect you as a regulated entity
- Questions





# The Concept of Risk to the Regulator

- Risk stemming from licensees
- Impact on the real economy & financial services
- Strategic goals of the Commission





# Why Risk- Based?

- Adaptive to details
- Consistent application of risk treatment
- Transparency in applying supervisory actions
- Efficient allocation of supervisory resources





# RAM (Risk Assessment Methodology )- Approach

## What we consider





# Risk Ratings & Priority Buckets



**Lowest Risk**  
Routine  
Acceptance  
of Risk



**Moderate Risk**  
Actions taken to  
Increase  
Monitoring of  
Licensee



**High Risk**  
Actions taken to  
Remedy  
Deficiencies  
and/or  
Regulatory  
Concerns



**Extreme Risk**  
Immediate  
action  
required



**Critical**





# Pre- Licensing

## How does the Assessment affect Applicants?

- Every Applicant for licensing goes through the assessment process before a decision is made regarding licensing
- Determine suitability for licensing





# Pre- Licensing

## How does the Assessment affect Applicants?

- Outcome of first assessment will shape the Commission's initial relationship with the entity
- Assist with determining possible additional
  - monitoring conditions
  - extra ordinary reporting requirements







# Post Licensing

## How does the Assessment affect Licensees?

- Dynamic- continually updated
- Changeable bucket placements- as risk level increases or decreases
- Scores will be shared with Licensees when necessary. No scores will be made public by the Commission.





# Application of Risk Treatment

Routine desk based supervision

— **(Buckets 1&2)**



Relationship Managers

**( Bucket 3)**



Enforcement

**(Buckets 4&5)**

- Bucket 5 placements- risk presented is outside the Commission's accepted risk tolerance.



# Application of Risk Treatment

## Inspections

### Annual Inspection

- Extreme Composite Risk Licensees (bucket 4)
- High Composite Risk Licensees (bucket 3)

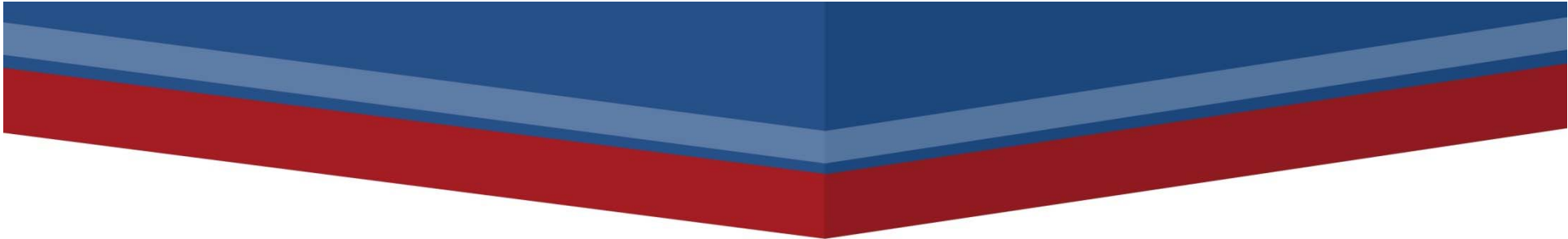
### 3 -4 Year Inspection Cycle

- Moderate Composite Risk Licensees (bucket 2)
- Low Composite Risk Licensees (bucket 1)

### Pooled Supervision (Thematic Reviews)

- Low Composite Risk Licensees ( Usually bucket 1)
- History of Strong Regulatory Compliance





# Questions

