



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)

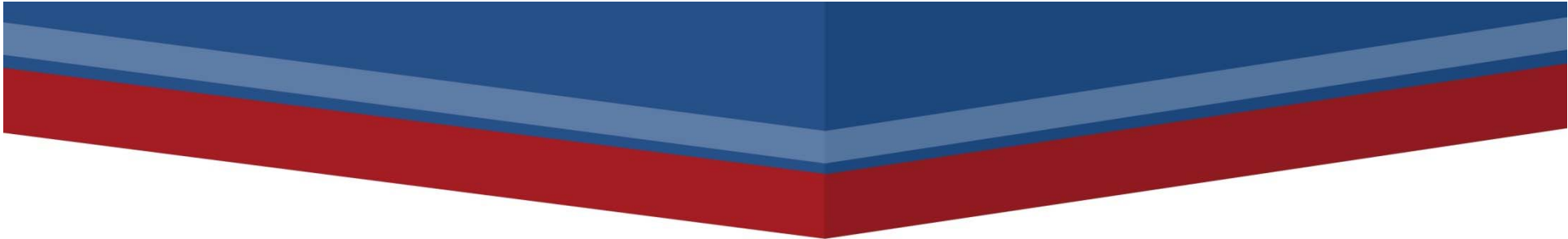
3 -4 Year Inspection Cycle

- 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

