

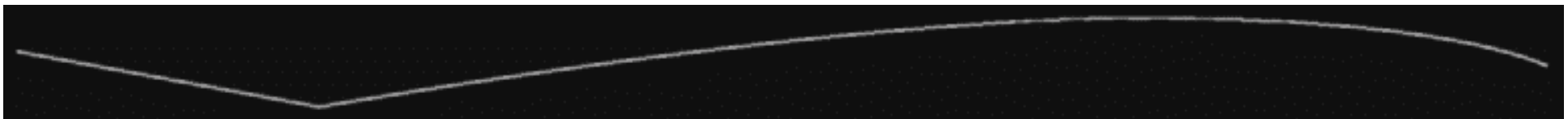
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The convergence of group supervision

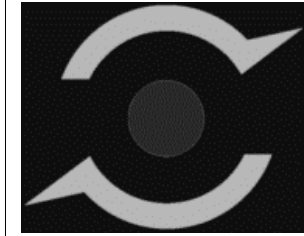
Dirk Witteveen

Pensioen- & Verzekeringskamer

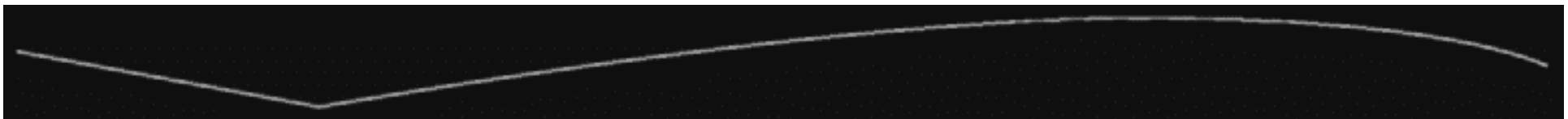
Netherlands



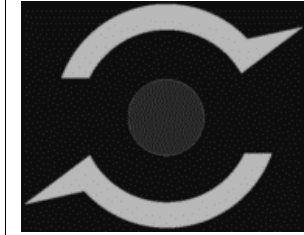
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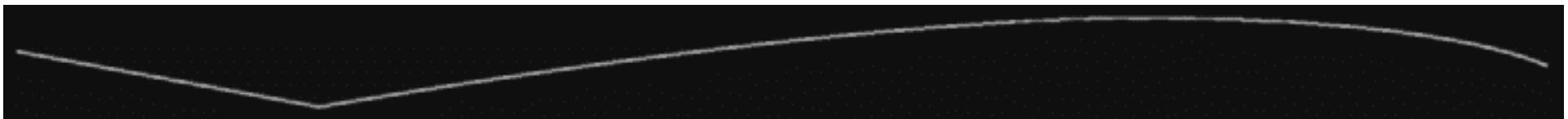
- Overview:
 - General financial convergence
 - Convergence of group supervision



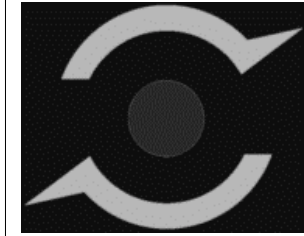
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- Market trends:
 - Product structure
 - Supplier structure
 - Distribution structure
 - Use of risk analysis
 - Consumer expectations



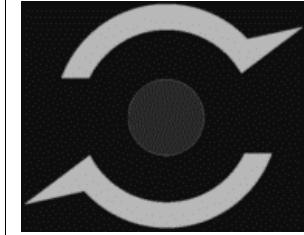
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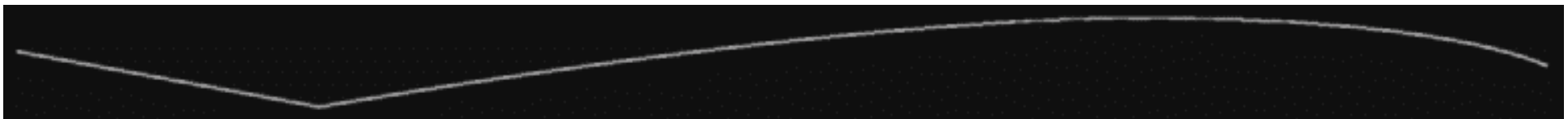
- General consequences for supervision i.a.:
 - Convergence of prudential approach and techniques
 - Increasing importance of group-wide supervision
 - Supervisory co-operation



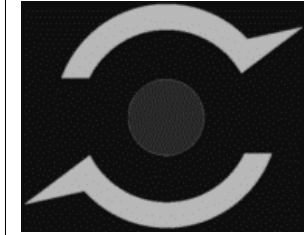
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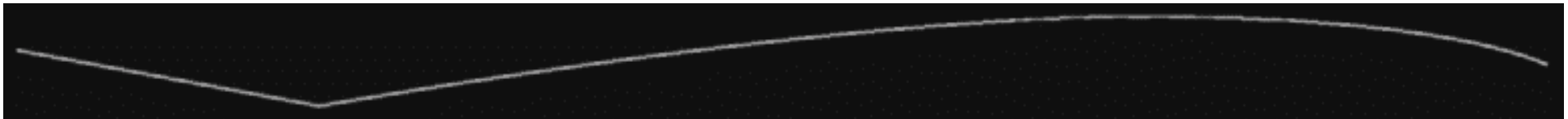
- Group supervision, traditional focus:
 - Banking: consolidated
 - Insurance: solo-plus



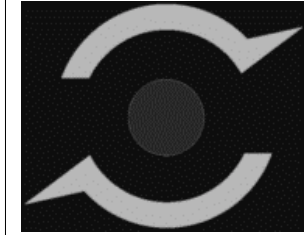
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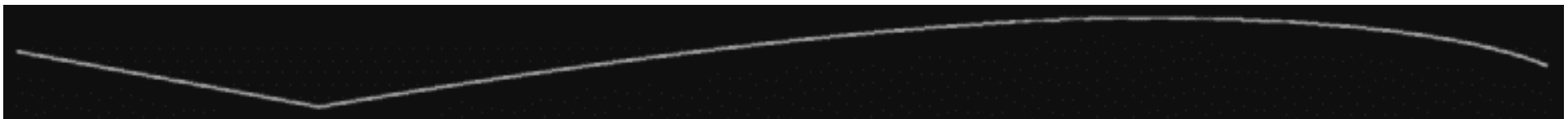
- Banking:
 - Intra-group guarantees
 - More vertical group structure
 - Guarantees on the funding side
- Consolidated approach



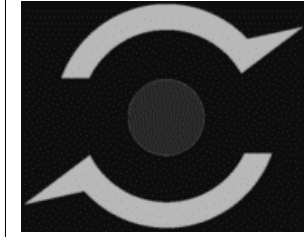
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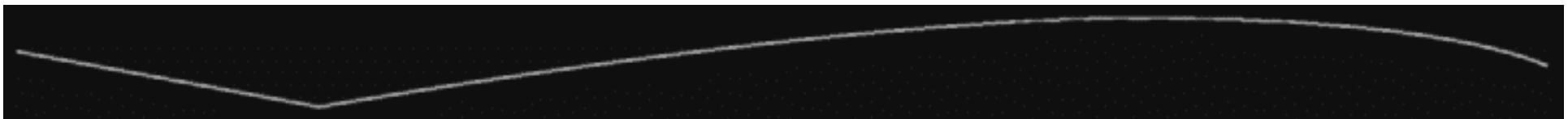
- Insurance:
 - Legal specialisation principle
 - More horizontal group structure
 - Different role of funding
- Solo-plus approach



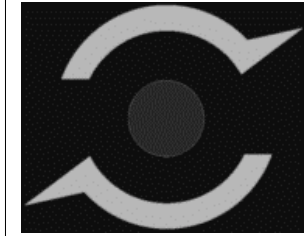
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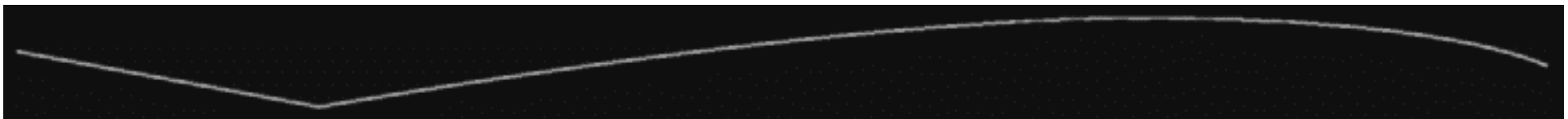
- Trends in group supervision:
 - More experience with group supervision
 - A more risk based approach
 - ‘Diversification’ claim by conglomerates: less regulatory capital (Study Oliver Wyman & Co)
 - Attention for special purpose entities (SPE’s)
 - Clarity of group structure



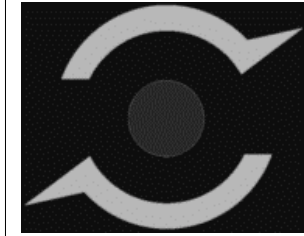
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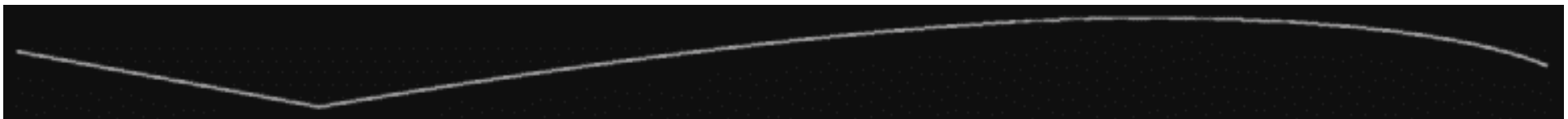
- Calls for closer scrutiny of:
 - Intra-group relationships and exposures
 - Forms of contagion risk
 - Potential legal liability through intra-group relations
 - Role and strength of individual entities



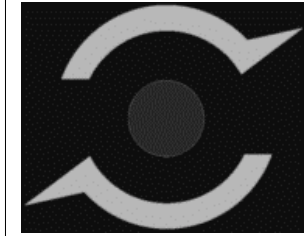
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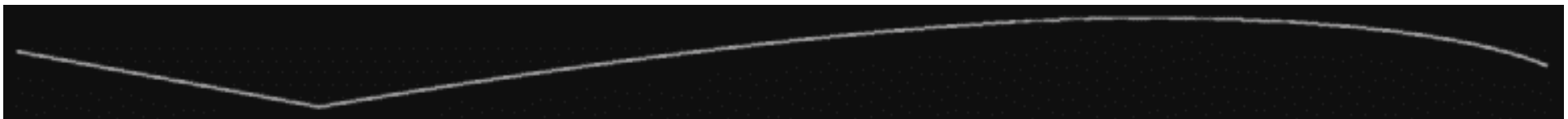
- Policy consequences:
 - Convergence between solo-plus and consolidated supervision
 - Study in the Netherlands into:
 - Group structures
 - Potential contagion and liabilities
 - Legal firewalls



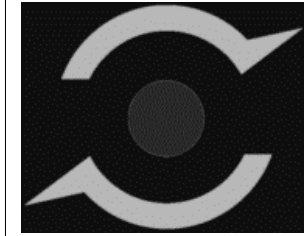
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- Practical consequences for conglomerates:
 - Centralised or decentralised structure and governance
 - Risk and capital allocation modelling
 - Information systems and controls
 - Market conditions during restructuring
 - Supervisory demands



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- Practical consequences for supervisors:
 - Convergence of supervisory techniques and models
 - Institutional co-operation and integration
 - Risk based prioritisation and detailing
 - Role and validation of internal models
 - Personnel
 - Supervision as a growth industry!

