

## Press release

Press enquiries:  
**Basel** +41 76 350 8486  
+41 61 280 8143

[press@bis.org](mailto:press@bis.org)

Ref no: 88/2013

18 November 2013

### **FSB releases Guidance for More Effective Supervision of Risk Appetite and Risk Culture at Financial Institutions**

The Financial Stability Board (FSB) has today published two papers to assist supervisors in strengthening risk management practices at financial institutions:

- 1) [Principles for an Effective Risk Appetite Framework – finalised document](#); and
- 2) [Guidance on Supervisory Interaction with Financial Institutions on Risk Culture – for public consultation](#).

These papers form part of the FSB's initiative to increase the intensity and effectiveness of supervision, which is a key component of the [policy measures to address systemically important financial institutions \(SIFIs\)](#) that were endorsed by the G20 in November 2010 to address the problem of firms that are "too big to fail". Supervisory expectations for firms' risk management functions and overall risk governance frameworks are increasing, as these were areas that exhibited significant weaknesses in many financial institutions during the global financial crisis.

The Principles for an Effective Risk Management Framework were issued for public consultation in July 2013 and have been revised in light of the comments received during that consultation. Respondents generally supported the overall direction of the draft Principles, but sought more clarity on the extent to which a financial institution's risk appetite should be cascaded to individual legal entities and business units. The [responses to the public consultation](#) are available on the FSB's website.

The level of risk appetite that a financial institution sets will be influenced by its risk culture, in other words the institution's attitude toward and acceptance of risk. The FSB is therefore issuing today for public consultation a Guidance Paper to assist supervisors in assessing the risk culture at financial institutions. The FSB invites comments on the draft guidance by **31 January 2014**. Responses should be sent to [fsb@bis.org](mailto:fsb@bis.org). Responses will be published on the FSB's website unless respondents expressly request otherwise.

Julie Dickson, Superintendent of Canada's Office of the Superintendent of Financial Institutions and Chair of the FSB Supervisory Intensity and Effectiveness Group, noted that "The Principles and Guidance aim to support well-informed and forward-looking risk decisions by institutions, and to assist the understanding, by both the financial institution and the supervisor, of the institution's risk culture, in particular whether it supports appropriate behaviours and judgements within a strong risk governance framework."

## **Notes to editors**

In October 2011, the FSB Supervisory Intensity and Effectiveness (SIE) group published a [progress report](#) which noted that effective, measurable and actionable risk appetite frameworks have not yet been widely adopted by financial institutions. It concluded that the development of an effective risk appetite framework needs attention by both firms and supervisors and recommended that supervisors should discuss expectations for what a “good” risk appetite framework entails and how to supervise against these expectations.

In light of these findings, the FSB conducted a [Peer Review on Risk Governance](#), published in February 2013. The review recommended that the FSB, in collaboration with relevant standard setters, develop guidance on the key elements contained in an effective risk appetite framework and establish a common nomenclature for terms used in risk appetite statements. Given the critical role risk culture plays in ensuring that effective risk governance endures through changing environments, the report asked the FSB to explore ways to formally assess risk culture, particularly at global SIFIs (G-SIFIs).

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, [www.financialstabilityboard.org](http://www.financialstabilityboard.org).