

Supervisory Cooperation and Coordination

Ekrem M. Sarper

Vice Chair, Implementation Committee, IAIS

Importance of Supervisory Cooperation

- Financial markets are global in scope and interconnected
- Essential for effective oversight in an integrated financial system.



U.S. State Regulators & Supervisory Cooperation

Communication Avenues

- Regulatory dialogues with foreign jurisdictions
- Supervisory Colleges

Cooperation Tools

- IAIS Multilateral Memorandum of Understanding
- Bilateral Memorandum of Understanding

Regulatory Dialogues & Information Sharing

- NAIC has a number of bilateral dialogues in place
- State insurance regulators have information sharing agreements :
 - Internationally
 - Domestically

IAIS MMOU Purpose

- Enhance supervision of internationally active insurance companies by creating a formal basis for cross-border cooperation and information exchange amongst supervisors around the world
- Signatory Authority can request from and provide to any other Signatory Authority having a legitimate interest, confidential information on all issues relevant to supervised Insurance Companies
- Facilitates the exchange of confidential information in the supervisory college context
- Potential to significantly improve and expedite the cross border exchange of information between supervisors.

Signatory Authorities

- There are currently 55 (plus) Signatory Authorities with many more applications pending
- There are 12 state Signatory Authorities and many more that have applied and/or are applying and/or are interested in applying to the MMoU

Application and Accession

- The applicant jurisdiction submits an application for accession through the MMoU online tool
 - Application includes copies of relevant supporting laws/rules/regulations explaining the applicant jurisdiction's legal authority to meet all MMoU provisions essential to mutual cooperation and exchange of information including the confidentiality regime set out in Article 5 and Annex B of the IAIS MMoU.
- Validation Team verify the application (the process is very streamlined)
 - Nominated from IAIS member jurisdictions that are Signatory Authorities or potential Signatory Authorities

Application and Accession

(con't)

- Validators are considered well versed in legal processes and procedures and insurance laws and regulations
- Validation team will make a specific recommendation to the Signatories Working Group (SWG) (group of signatories) on a consensual basis concerning the suitability of the applicant jurisdiction to become a Signatory Authority of the IAIS MMoU

Key Functions for Supervisory Colleges

- Information sharing
- Assessment of holding company risk, contagion/ exposure, overall financial soundness, capital adequacy, group governance
- Coordinated supervisory activities
- Liaison with holding company management
- Role in crisis management

Attending Supervisory Colleges

- Guidance for participating in supervisory colleges
 - IAIS Guidance Paper & IAIS Supervisory Colleges Application Papers
 - NAIC Holding Company Best Practices Document
- Resources
 - Use of Technology
- Tracking chart follow-up and continuity

Convening Supervisory Colleges

- Key elements:
- Should a Supervisory College be established?
- What is the level of international activity within group?
- Have group-wide supervisors or leads been identified?
- Has the purpose of the college been agreed on?
- Have the involved supervisors and tiers been identified?
 - Are there other non-insurance functional regulators?
- Information Sharing Mechanisms among involve supervisors
 - MMoU
 - Bilateral MoU's

Supervisory College Format

- Flexibility to structure /format/content:
- Possible regional colleges
- Participation by tiered membership composition?
- One day meeting on a variety of issues, and follow-up quarterly calls
 - Regulator only sessions
 - Followed by company presentations with Q&A session

Operational Key Points

- Consider the resources of lead jurisdiction
- Put MoU's in place
- Prepare agenda in advance of meeting
- Obtain overviews from core member at each meeting
- Engage membership at all tiers
- All members have agreed to the supervisory college's role.

Summary and Importance

- Supervisory coordination and information exchange is gaining in importance internationally:
 - as seen with the recommendations made in the Financial Sector Assessment Program (FSAP)
 - at the Financial Stability Board (FSB) Peer Reviews
 - For use in Supervisory colleges for global players