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## Summary of Responses

**Overall –** All countries recognise the need to develop consistent approaches to the supervision of the different sectors. This need has been heightened by the blurring of traditional industry boundaries and the emergence of financial conglomerates. Consistent methodology is emerging and evolving, however, at the same time supervisors know that they must take into account some fundamental differences between business activities.

By and large commonality has been achieved to a greater degree in banking and securities than in banking and insurance. For example, the accounting for banking and securities in most countries is identical or substantially the same. There are more significant differences with respect to insurance accounting. Similarly the definition of components of capital is similar in banking and securities but less so in insurance.

In other areas the opposite prevails. For example, countries report a higher degree of commonality in their approach to risk assessment with banking and insurance than with banking and securities. In several areas countries reported that they were working towards convergence – such as in the approach to off-site examination and consolidated supervision.

Most countries indicated that they request information from the parent institution and the home supervisor for foreign bank branches and intend to do the same for insurance company branches if they are not doing so already.

Question 5 dealt with personnel policies and practices of the supervisory office. Since administrative economies was identified as one of the key goals in the creation of an integrated agency, it is not surprising that most countries reported a significant degree, or complete, commonality in these areas.

Suggested questions for discussion

1. What are the business activities that justify different approaches to supervision?
2. Countries hope that the work of the IASC will lead to greater harmonisation in accounting. The IASC leans towards fair value accounting. This will represent a significant change for some countries. Are you prepared to adopt it?
3. All countries supervise banks on a consolidated basis. Most are moving to this approach for insurance companies but there seems to be less of an impetus to do so for securities companies. Why not?
4. How do you evaluate the capital adequacy of financial conglomerates when the capital tests are different for each sector? Similarly, how do you assign an overall rating to a financial conglomerate where each sector is rated based on different factors?
5. Not all countries have a system of early warning indicators. Why not?

**Question 1 (a) –** What were the key goals or objectives for your agency when it was created with combined supervisory responsibilities?

All countries sighted the need for a common/consistent approach to supervision as being one of the key objectives for creating an integrated supervisory office. The blurring of traditional industry boundaries and the emergence of financial conglomerates has heightened the need for such an approach. Most countries also sighted administrative economies, particularly those resulting from recruiting and using experts. Other goals included developing harmonized or integrated legislation, charging each sector on a consistent basis for supervision, and upgrading overall prudential standards in the institutions.

**Question 1 (b) –** Do these remain your goals today?

Generally all countries have the same goals today although they recognize that the need for integration is even more pronounced, mirroring developments in the financial sectors. Those integrated supervisors that have been in existence for some time have developed new approaches to fulfilling their mandates.

**Question 2**– What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas:

(a) Licensing standards?

All countries (except Denmark) indicated that either they are considering similar factors when licensing a bank or an insurance company, or are making changes to achieve that. Some have accomplished this through legislation (e.g. Canada, Iceland, Korea and Sweden) where as others are doing so through administrative procedures (e.g. Australia and Singapore)

(b) Supervisory scope (consolidated vs unconsolidated)

Three countries (Canada, Japan (except for the solvency margin requirements for insurance companies), Norway and Sweden) have indicated that they currently supervise banks and insurance companies on a consolidated basis. All others are planning to move to consolidated supervision for these institutions in the future. In the interim, Australia has achieved similar results by allocating supervisory responsibility for related institutions to one group.

(c) Regulatory accounting in such areas as (I) Valuation of real estate assets; (II) Valuation of securities; (III) Reserving for losses on assets; (IV) Valuation of “deposit-like” insurance products; and (V) Other?

In most countries, bodies other than the regulators control accounting standards. Accordingly, the pace of harmonization is not entirely under their control, although they do influence the developments. Some of the specific comments are summarized below:

(I) Valuation of real estate assets: - Over half of the countries have reported that their accounting standards for the valuation of real estate assets are completely or to a significant degree consistent between banks and insurers. The balance of the countries are expecting to achieve this harmonization in the future.

(II) Valuation of securities: - A number of countries have indicated that they have achieved consistency in the valuation of securities by banks and insurers where as others are expecting to achieve that through the work being done by their respective accounting standard setters in conjunction with the work being done by IASC.

(III) Reserving for losses on assets: - Most of the countries have reported differences in requirements for banks and insurers for reserving for losses on assets. Although they plan to work towards harmonization of these requirements, some differences may remain due to the differences in the underlying businesses.

(IV) Valuation of "deposit- like" insurance products: - Most of the countries reported differences in this area again resulting primarily from the differences in the underlying businesses. All are expecting that the work being done by IASC will increase the level of harmonization.

(V) Other: - Besides a number of countries indicating that there were other minor differences resulting from the differences in the underlying businesses, the following specific differences were identified; (1) different treatment for goodwill (Australia) and (2) different discounting rules for life and non-life companies (Norway).

(d) Components of capital (for capital adequacy purposes)?

Five countries (Canada, Iceland, Japan, Korea and Norway) have reported that they have consistent (but not necessarily identical) requirements for components of capital for banks and insurers. The remaining countries are planning to harmonize requirements in the future. Harmonization by European countries will be tied to the development of related EU directives.

(e) Minimum capital (capital adequacy) requirements?

Most countries reported differences in the minimum capital requirements for banks and insurance companies. Capital requirements for banks are generally based on the Basal Capital Accord whereas those for insurance vary from country to country. Most indicated that they would be striving for more consistency but consistency will be limited by the differences in the underlying businesses.

(f) Assessment of risk management effectiveness in such areas as credit risk, market risk, operational risk, and liquidity risk?

Most of the countries have reported a high level of consistency in their practices for assessing risk management effectiveness in banks and insurance companies. The remaining ones are either currently working on or are planning to work on achieving supervisory consistency wherever possible.

(g) Assessment of corporate governance effectiveness?

Similar to the consistency reported in assessing risk management, countries have reported a high level of consistency in their assessment of corporate governance effectiveness in banks and insurance companies.

(h) Off-site monitoring and analysis?

Four countries (Canada, Korea, Norway and Singapore) reported a high level of consistency in off-site monitoring between banks and insurance companies. All others indicated that they hope to achieve this in the future.

(i) Supervisory reliance on the work and opinions of boards and auditors?

Most (7) countries reported high level of consistency in supervisory reliance on boards and auditors for banks and insurance companies, with the remaining (3) expecting to increase the level of consistency in the future.

(j) Supervisory reliance on the work and opinions of the supervisors of branches or subsidiaries of parent institutions that you supervise?

While all countries have indicated that they consider other regulators assessments of branches and subsidiaries in assessing the risk profile of an institution, only 2 countries (Denmark and Norway) have indicated a high level of consistency in this regard. Others have indicated that they plan to increase the level of consistency in the future. (Korea and Sweden seem to have misread the question.)

(k) Rating system?

Canada, Denmark and Korea have indicated that they have a consistent, but not necessarily identical, rating system for banks and insurers. UK has indicated that they have a different system for banks and insurers and Singapore currently only uses a rating system for banks. Australia, Iceland, Japan, Norway and Sweden have indicated that they do not currently use a rating system. All countries, except Japan, have indicated a desire to develop a consistent rating system in the future.

(l) Early warning indicators?

Canada, Denmark, Norway and Singapore have indicated that they use early warning indicators for both banks and insurers. The differences in their two systems are mainly due to the differences in the underlying businesses of the two types of institutions. Australia, Iceland, Korea, and Sweden are planning to develop early warning indicators for both banks and insurers. Japan does not use an early warning system for either banks or insurers and has no plans to develop one.

(m) Other?

Canada provided a list of other methodology-related initiative for information.

Norway indicated that they have one group responsible for carrying out on-site supervision of both banks and insurance companies and another group responsible for off-site monitoring and analysis of banks and insurance companies.

UK has indicated that they currently have substantial differences in the supervision of banks and insurance companies and are working on a plan to increase the commonality in the future.

**Question 3 – (Question 3 does not apply to APRA or OSFI)**
What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and securities firms in the following areas:

(a) Licensing standards?

All countries, except Japan, reported that they have achieved either a significant or identical degree of commonality with respect to licensing standards. Three countries (Denmark, Norway and Singapore) noted differences in the licensing procedures, in particular the evaluation of management played a bigger role in the licensing of securities companies while good capital and prudential standards are seen as more important in the licensing of banks. In Japan banks are required to be licensed; securities companies just register with the supervisor. They have no immediate plans for change.

(b) Supervisory scope (consolidated vs unconsolidated)?

Supervision in four countries (Denmark, Norway, Singapore and Sweden) is on a consolidated basis for both sectors. Japan and Korea supervises banks on a consolidated basis and securities companies on an unconsolidated basis. Iceland and the UK sight EU Directives – these directives exempt groups which do not contain a bank from consolidated supervision subject to certain conditions.

(c) Regulatory accounting for (i) Valuation of securities; (ii) Other areas of significant accounting difference (please specify)?

The principles for the valuation of securities in the financial statements are identical for banks and securities firms in Denmark, Japan, Korea, Norway, Singapore and Sweden, although Singapore notes that some adjustments are necessary when computing the net adjusted capital of securities companies. In Denmark and Korea there are minor differences of accounting in other areas. In Iceland and the UK there are some differences in sectoral requirements, reflecting the different requirements in EC law.

(d) Components of capital (for capital adequacy purposes)?

The components of capital for capital adequacy purposes are identical or almost identical in all countries, although there could be differences in adjustments to capital (for example, non-current assets are deducted from securities company's capital in Japan).

(e) Minimum capital (capital adequacy) requirements?

Four countries (Iceland, Norway, Sweden and the UK) apply requirements that are significantly similar or identical, although in Norway securities companies have to report their capital adequacy on a monthly basis instead of a quarterly basis (as for banks and insurance). In Korea there are also different tests but both banks and securities companies must meet a risk-based minimum. Denmark and Singapore justify applying different minimum capital requirements on the basis of the differences in the business activities in each sector. In Japan both sectors are subject to a risk-based test, however, the one for the securities sector is applied on an unconsolidated basis.

(f) Assessment of risk management effectiveness in such areas as credit risk, market risk, operational risk, and liquidity risk?

Denmark, Japan, Korea and Sweden have achieved a high degree of commonality to their approach to risk management effectiveness. In the other countries more harmonised assessment procedures are being developed.

(g) Assessment of corporate governance effectiveness?

The approach taken to the assessment of corporate governance of banks and securities companies is identical in Norway, Iceland and Sweden and very similar in Denmark, Japan and Korea. However, in Denmark they believe that there is a greater need to ensure management of securities companies comply with fit and proper standards. The UK is working towards greater convergence in the assessment process. In Singapore banks and securities companies must meet some common and some unique standards.

(h) Off-site monitoring and analysis?

The approach to off-site monitoring and analysis is virtually identical in five countries (Denmark, Iceland, Korea, Norway, and Sweden). Singapore applies stress tests to assess financial condition and compliance with capital requirements and financial ratios in securities companies but not in banks. The UK reports that while there are similar approaches, reporting requirements will remain substantially different at least until 2002. Japan notes that there is less emphasis on prudential supervision in the securities sector.

(i) Supervisory reliance on the work and opinions of boards and auditors?

Six countries (Denmark, Japan, Iceland, Norway, Singapore and Sweden) rely on the work of the auditors in supervising both banks and securities companies. In the near future, this will also be the case in Korea and the UK.

(j) Supervisory reliance on the work and opinions of the supervisors of branches or subsidiaries of parent institutions that you supervise?

All countries, expect Korea, report a high degree of commonality in the reliance placed on the work and opinions of the supervisors of branches or subsidiaries of parent institutions. Korea does not anticipate any change to its approach.

(k) Rating system?

The ratings systems are substantially the same in three countries (Denmark, Korea, and the UK). Denmark notes that any differences are due to differences in the business activities. In Korea banks are rated on capital adequacy, asset soundness, management ability, profitability, liquidity, and sensitivity to market risk and securities companies on indicators such as risk management, internal control, compliance and capital adequacy. Iceland will soon be introducing a rating system into the supervisory process, as will Sweden. Singapore is considering harmonising its approach. Japan does not use a rating system and has no plans for introducing one.

(l) Early warning indicators?

With the exception of Singapore countries report having either no early warning indicators for one or both sectors. Singapore does have an early warning system but uses slightly different financial ratios for banks and securities companies. Denmark and Japan do not have early warning systems for either sector and have no plans for developing one. Norway does not have a formal early warning system for securities companies. Iceland and Sweden intend to develop a system for both sectors. Korea will be improving the system it uses for banks.

(m) Other?

The UK notes that substantial commonality has already been achieved in the banking and securities areas as a result of EC legislation which significantly harmonised capital and other prudential requirements. The main differences now are in the detail of the legislation and how it has been implemented, reflecting differences between banking and securities business that we would expect to continue and in some cases in the different supervisory approaches of the former regulators.

**Question 4 (a) –** What degree of commonality of approach A) have you achieved, and B) do you expect to achieve in the foreseeable future, as between the supervision of foreign bank branches and foreign insurance company branches operating in your jurisdiction in terms of (a) information required from the parent institution and (b) information required from the home supervisor?

(a) Information required from the parent institution.

Six countries (Canada, Denmark, Iceland, Japan, Norway and Singapore) have indicated that they request information from parents of both banks and insurance companies. Other countries (Australia, Korea and UK) currently request information for banks and plan to do so for insurance companies. Sweden does not have bank or insurance branches; Australia does not allow branch life insurance operations.

(b) Information required from the home supervisor.

Most of the countries (Australia, Canada, Iceland, Singapore and UK) have indicated that they request information from home supervisors for banks and are planning to extend the practice to insurance supervisors as well. Japan and Norway currently request information for banks as well as insurance companies. Korea requests information at the time of initial licensing only.

Denmark has indicated that it does not request information and Sweden does not have bank or insurance branches.

**Question 5** – What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the personnel policies and practices in the area such as (a) Recruitment standards; (b) Formal training programs; (c) Other career development initiatives; (d) Job (position) ratings;
(e) Compensation polices; and (f) Other comments?

(a) Recruitment standards

Australia, Canada, Denmark, Iceland, Japan, Korea, Norway and UK all have reported that they have consistent recruitment standards for personnel for bank and insurance supervision. Sweden has indicated that it does not have formal standards but plans to establish them in the future.

(b) Formal training programs.

Australia, Iceland, Japan, Korea, Norway, Sweden, and UK have responded indicating full commonality in their training programs. Canada indicated that there are some differences mainly resulting from differences in the underlying businesses. Denmark is planning to bring programs into effect in the future.

(c) Other career development initiatives.

Countries that responded to the question and provided details indicated that supervisors use varied programs for career development, including encouraging and supporting professional studies, and considering secondments to supervised institutions and other regulators.

(d) Job (position) ratings.

Australia, Canada, Denmark, Iceland, Japan, Korea, Norway and UK responded indicating that they have a uniform job rating system across their organizations.

(e) Compensation polices.

Countries that responded to the question indicated that full commonality had been achieved in their compensation policies.

(f) Other comments

All respondents have achieved full commonality in their personnel practices.

| Question#1 | What were the key goals or objectives for your agency:<br>(a) When it was created with combined supervisory responsibilities:<br>i) Administrative economies?; ii) A more common/consistent approach to supervision?;<br>iii) Other (please specify)?<br>(b) Do these remain your goals and objectives today, in particular regarding a more common/consistent approach to supervisory methodology? |
|---|---|
| Australia | (a)The primary objective in APRA's establishment was the development of a more common/consistent approach to supervision. This was viewed as important for the Australian financial system, where traditional industry boundaries are becoming blurred and financial conglomerates, which offer a full range of financial services, are emerging. It was also recognised that an integrated supervisory agency would be able to best manage scarce supervisory resources, and to offer the opportunity for administrative economies.<br>(b) These objectives remain relevant for APRA. The need for a consistent supervisory approach is of increasing importance as the financial services sector consolidates. |
| Canada | (a) i) Although it was recognized that there would be administrative economies resulting from combining the responsibilities, it was not a key goal or objective in the creation of OSFI.<br>ii) A more common/consistent approach to supervision was a key objective in the creation of OSFI. It had been recognized that supervisory problems and issues would increasingly cut across financial sectors, and that an integrated supervisor would be well-placed to respond to these in a consistent manner. It was also recognized that there was a need for the supervisor to have an overview of all of the federal institutions in a financial conglomerate.<br>(b) Yes. In 1998, OSFI reorganized from an institutional supervisory structure into a functional structure, and has recently developed a Supervisory Framework that applies to all supervised institutions. The Framework takes into account OSFI's experience in supervising various types and sizes of institutions, and accommodates the special requirements of both the banks and insurers |
| Denmark | (a) ii) A more common/consistent approach to supervision.<br>(b) Yes, a more common/consistent approach to supervisory methodology still remain our goal and objective. |
| Iceland | (a) i) Administrative economies were not among the key objectives when the Financial Supervisory Authority in Iceland (FME) was founded. However it was important to create a system for payment of supervisory expenses that ensured to some extent a level playing field for all types of financial institutions. Before FME was created only the insurance companies paid directly for the supervisory expenses of the supervisory authority.<br>ii) Yes, the co-ordination of the methodology and the supervisory responsibilities was one of the key objectives for the creation of the FME. For example the main responsibilities of FME and its means and resources are dealt with in a special act, Act on Official Supervision on Financial Operations. The provisions of that act apply to all financial activities under supervision but are supplemented by special laws dealing with each sector.<br>iii) One of the key goals was to obtain more efficient use of expertise. Also the strengthening of the official supervision was seen as an integral part of the government's plan to privatize the banking sector, but two of the biggest commercial banks are still state-owned.<br>(b) Yes, these remain our goals. For that purpose there are no special divisions dealing with each sector, instead the expertise is used where it is needed. By that, expertise from one sector is used in supervising other sectors. |
| Japan | (a) i) As part of the central government reshuffle, the Financial Supervisory Agency (FSA) will be merged into one authority which also comprises the Financial Systems Planning Bureau of Ministry of Finance and the Financial Reconstruction Commission (FRC). |

| | |
|---|---|
| | ii) Yes.  It is essential to supervise financial conglomerates across financial sectors in a consistent way from the following viewpoints;<br>- It is not sufficient to conduct inspection on each bank, securities company, and insurance company on a solo basis in a financial conglomerate group to grasp illegal transactions made by the group as a whole intentionally.<br>- It is important for supervisors to understand material risk concentrations as part of their efforts to identify the overall risk profile of financial conglomerates, because losses may arise from the correlation or interaction of risk across sectors within the conglomerate.<br>iii) Farewell to the Convoy System.  Rectifying the fiasco in the past.<br>(b) Yes.  A more common/consistent approach to supervisory methodology, among other things, remain our goal and objective in order to identify total risks to which conglomerates are exposed. |
| Korea | (a)The key goals or objectives for the FSC/FSS were<br>i) a more common and consistent approach to supervision.<br>ii) to make Korean financial institutions transparent and fit to international standards.<br>(b) Yes. |
| Norway | (a) i) Yes.  One objective was the pooling of resources and thus the more efficient use of experts. Integrated supervision would lead to greater efficiency and better resource use, and there would be a better coordination of licensing, structural evaluations and other regulations.<br>Kredittilsynet was established as an integrated supervisory body for banks, insurance companies and securities firms. In due course Kredittilsynet was also assigned other responsibilities, notably supervision of debt collection and auditing. Kredittilsynet assumed in addition responsibility for administering the licensing scheme for accountants on 1 January 1999.<br>ii) Yes. The supervision was to be strengthened in connection with the liberalization of the financial markets and a move towards integration/harmonization of financial legislation. In the context of Norwegian financial legislation, the 1980's stood out as a period of innovation and modernization. An integrated supervisory model based on a merger of the banking/securities and insurance supervisory bodies was seen to have clear-cut advantages. Insurance companies played an important role as investors, and there were signs of increased cooperation between banking and insurance. Supervision of banking and insurance shared common features, as did legislation governing the two sectors. (See below)<br>iii) Integration and harmonization of legislation was also one reason for the integration of the supervisory authority. An essential feature of the legislation governing financial institutions and financial markets is common solvency and prudential requirements and other common umbrella-regulation for all financial institutions, including insurance companies. The 1988 Acts also provide for basic regulation of conglomerates which was further developed in the overall legislation on financial conglomerates passed in 1991.<br>(b) Yes, and even more so. After a reassessment of the role and responsibilities of Kredittilsynet, in the wake of the banking crisis in the early 1990's, Parliament confirmed the importance of having an integrated and independent supervisory authority and decided that Kredittilsynet should continue as a strengthened integrated and independent government agency. Kredittilsynet was thus given wider powers and increased resources.  We regularly review our own organization in order to find possible ways to enhance and rationalize supervision and achieve a more common and consistent approach to supervision of the financial sector. |
| Singapore | (a) Established in 1970, MAS performs all the functions of a central bank except for the issue of currency.  MAS took over the supervision of the insurance industry from the Ministry of Finance in 1977, and took on the responsibility for administering the Securities Industry Act in 1984.  It was recognised that there is a close linkage among financial institutions and markets, and it is common for local banking groups to own subsidiaries or affiliates carrying on insurance and securities |

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|---|---|
| | business.<br>(b) MAS has adopted a silo approach in its legislation and regulation of financial institutions in the different industries. However, we adopt the "lead regulator" approach in that the department responsible for supervising a parent financial institution, for instance a bank, is consulted on key issues relating to the parent institution's securities and insurance subsidiaries or affiliates. Banks are also exempted from licensing if they undertake certain financial activities such as investment advice and insurance broking. This has greatly relieved financial conglomerates of the regulatory burden arising from the silo regulatory approach.<br>With the increasing convergence of products and intermediaries in this new age, MAS has begun the process of integrating financial regulation and supervision to mirror the changes in the financial landscape. One example is the alignment of regulatory treatment for similar products offered by different financial intermediaries, such as unit trusts and investment-linked policies. |
| Sweden | (a) i) Yes, synergies and economy of scale in administration, office premises and IT.<br>ii) Yes, the blur of borders between banks and insurance companies urged on a common approach to supervision.<br>iii) Strengthen supervision on group level. Improve possibility to recruit and keep personnel. Evaluation of the financial markets and emergence of financial conglomerates.<br>(b) The goals and objectives remain but the focus today is even more risk-oriented and group oriented. |
| United Kingdom | (a) i) Economies of scale have been achieved through bringing together nine different regulators into a single management structure, a single set of support services (human resources, IT, finance, premises etc), and a single building. This was achieved mostly in the second half of 1998 and early 1999.<br>ii) The fragmentation of regulation had been generating a number of inconsistencies and duplication of effort, especially as an increasing number of conglomerates became subject to regulation by more than one regulator in the UK (in some cases by five or more different UK regulators!). A key objective of creating a single UK financial services regulator was to remove this fragmentation and the inconsistencies associated with it.<br>iii) Other key objectives were (a) to introduce a single piece of high level legislation, that will provide a general framework within which the FSA will operate, with clear objectives for the FSA and a single set of coherent functions and powers, and will leave the FSA to determine the standards which regulated firms and approved individuals should meet; and (b) to introduce within the FSA a single authorisation function, a single supervisory function, a single enforcement function and a single consumer education function, each covering the entire range of regulated activities.<br>(b) All of 1(a) remain important goals and objectives. At present, considerable efforts are being made to (a) introduce a single FSA Handbook of rules and guidance, with appropriate differentiation between regulated activities but removing historical and unnecessary inconsistencies; (b) develop a single risk assessment approach for all regulated activities, and to use this to determine resource allocations within the FSA; and (c) focus on industry-wide themes (such as e-commerce, implications of low inflation, and harnessing market forces) as well as the supervision of individual institutions. |

QUESTION #2
SUMMARY OF RATINGS CHART

2. What degree of commonality **A)** have you achieved, and **B)** do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas:
(a) Licensing standards?
(b) Supervisory scope (consolidated vs. unconsolidated)?
(c) Regulatory accounting in such areas as:
    i) Valuation of real estate assets?
    ii) Valuation of securities?
    iii) Reserving for losses on assets?
    iv) Valuation of "deposit-like" insurance products?
    v) (Other) areas of significant accounting difference (*please specify*).
(d) Components of capital (for capital adequacy purposes)?
(e) Minimum capital (capital adequacy) requirements?
(f) Assessment of risk management effectiveness in such areas as credit risk, market risk, operational risk, liquidity risk?
(g) Assessment of corporate governance effectiveness?
(h) Off-site monitoring and analysis?
(i) Supervisory reliance on the work and opinions of boards and auditors?
(j) Supervisory reliance on the work and opinions of the supervisors of branches or subsidiaries of parent institutions that you supervise?
(k) Rating systems?
(l) Early warning indicators?

| UESTION | 2(a) | | 2(b) | | 2(c)i | | 2(c)ii | | 2(c)iii | | 2(c)iv | | 2(c)v | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
| ustralia | 2 | 3 | 2 | 3 | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 | | |
| anada | 4 | 4 | 3 | 3 | 1 | 3 | 1 | 3 | 1 | 3 | 1 | 3 | | |
| enmark | 2 | 2 | 3 | 4 | 4 | 4 | 2 | 4 | 2 | 4 | 2 | 3 | | |
| eland | 3 | 3 | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 3 | | | | |
| apan | 3 | 3 | 3-4 | 3-4 | 4 | 4 | 3 | 3 | 4 | 4 | na | na | | |
| orea | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 4 | 3 | 3 | 1 | 2 | 3 | 3 |
| orway | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 4 | 2-3 | 3-4 | | | | |
| ngapore | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 3 | 2 | 2 | 1 | 1 | | |
| weden | 4 | 4 | 1 | 3 | 2 | 2 | 3 | 3 | 4 | 4 | 1 | 1 | 3 | 3 |
| nited Kingdom | 2 | 4 | 1 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 2 | 3 |

| UESTION | 2(d) | | 2(e) | | 2(f) | | 2(g) | | 2(h) | | 2(i) | | 2(j) | | 2(k) | | 2(l) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **I** |
| ustralia | 2 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 1 | 3 | 1 | |
| anada | 3 | 3 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 2 | 3 | 4 | 4 | 3 | |
| enmark | 2 | na | 1 | na | 3 | 4 | 3 | 4 | 2 | 3 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | |
| eland | 3 | 3 | 2 | 2 | 2 | 3 | 3 | 3 | 2 | 3 | 2 | 3 | 2 | 3 | 1 | 2 | 1 | |
| apan | 2-3 | 2-3 | 2 | 2 | 3-4 | 3-4 | 3-4 | 3-4 | 2 | 3-4 | 3 | 3 | 3 | 3 | na | na | na | r |
| orea | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 4 | 4 | 3 | 4 | 2 | 2 | 3 | 3 | 2 | |
| orway | 4 | ? | 4 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | na | na | 2-3 | 3- |
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| nited Kingdom | 2 | 3-4 | 2 | 3 | 2 | 4 | 3 | 4 | 2 | 4 | 2-3 | 4 | 2 | 3 | 3 | 4 | na | r |

Responses based on a scale of 1 to 4, with 1 being "none at all"; 2 being "to some degree"; 3 being "to a significant degree"; 4 being "complete".

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| For questions 2 through 5, please respond using a scale of 1 to 4, with 1 being "none at all"; 2 being "to some degree"; 3 being "to a significant degree"; 4 being "complete". Brief accompanying explanatory text may also be helpful. | |
| Question#2 (a) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (a) Licensing standards? |
| Australia | A) Current rating of 2. APRA inherited different licensing regimes from the predecessor regulators for banking and insurance. APRA has established a licensing committee to oversee the granting of licences for all the industries that it supervises. The committee seeks to apply a uniform review process to applications for banking and insurance licences. B) Future rating of 3. APRA is currently conducting a general insurance review which will result in new licensing standards for general insurers. In drawing up these new standards, regard will be given to the authorisation criteria being applied in banking. |
| Canada | A) Current rating of 4. The Bank and Insurance Companies Acts administered by OSFI contain identical factors that must be considered as part of the licensing/registration process. In addition, a single division within OSFI handles all applications received from established and prospective financial institutions. It applies the same review processes whether the application is for a bank or an insurance company. This divisional structure parallels that of the Supervision Division in that all financial institutions are assigned on a portfolio basis. B) Future rating of 4. (no change). |
| Denmark | A) Current 2. B) Future 2 – no change. |
| Iceland | A) Current 3. The Minister of Commerce issues licenses for banks and insurance companies, in light of the recommendations given by the FME. The Acts in question deal with identical factors as to the licensing, in line with the EU Directives. The review processes are also similar, although currently administered by different experts to a large extent. B) Future 3. According to plan, more detailed and harmonised review processes, and closer co-operation between experts are being developed. |
| Japan | A) Current 3. Licensing standards regulated by the Banking Law and the Insurance Business Law are almost similar. Major difference is that licensing standards for insurance companies include those regarding policy, premiums and technical provisions. B) Future 3. (no change) Non-financial companies will be given the license in order to enter the banking industry. As for the completion of the Tokyo Big Ban, measures will be taken to allow insurance companies and other types of financial institutions to enter each other's financial sectors be means of sector specific subsidiaries. |
| Korea | A) Current 4. On July 23, 1999, the Financial Supervisory Commission established uniform and transparent licensing standards for the entire domestic financial sector. The new standards set internationally accepted norms for " The Establishment of Financial Institutions" and the promotion of sound competition among financial institutions. In addition, the standards address minimum capital adequacy requirements, investors ability and sincerity and feasibility of business plans.<br>B) Future 4. The FSC has a plan to arrange licensing standards for cyber financial companies to better prepare for the activation of "e-commerce". |
| Norway | A) Current 4. B) Future 4. |
| Singapore | A) Current 3 – The principles underpinning our licensing criteria across industries are similar. They include financial strength, ratings and rankings worldwide and home country, track record, fit and proper management and shareholdings, etc. However, specific criteria (such as minimum capital requirement) for each industry vary, depending on the extent of the institutions' fiduciary duties, nature of business and risk profile. For example, the capital requirement for institutions accepting retail deposits is more onerous compared to financial intermediaries that deal mainly with sophisticated institutional clients. The banking and insurance supervisory departments handle the |

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| | licensing process for the respective licences, but there is close consultation if the institution applying for one licence had dealings with the other department. B) Future 3 – No change. |
| Sweden | A) Current 4. The procedures when licensing banks and insurance companies have very much in common even if they are not identical. B) Future 4. We see no changes in the future. |
| United Kingdom | Licensing standards: these are still governed by the sectoral legislation under which the FSA operates. A new set of standards will be introduced under the new legislation. The FSA's common policy on the interpretation of these standards will be set out in the new FSA Handbook.<br>A) Current 2. B) Future 4. |
| Question#2 (b) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (b) Supervisory scope (consolidated vs. unconsolidated)? |
| Australia | A) Current rating of 2. Supervision of insurers is based on a solo approach. While prudential requirements on banks are applicable to the consolidated group, insurers are specifically excluded from consolidation. However, with responsibilities for the supervision of related banks and insurers grouped in one area, the actual supervision process is undertaken with quite a strong consolidated focus. Due regard is paid to the financial conditions of non-consolidated entities of the group in assessing the capital requirements and risk profiles of banking groups and insurers.<br>B) Future rating of 3. APRA is developing policies for the supervision of conglomerates. A policy framework for the supervision of conglomerate groups containing authorised deposit-taking institutions has just been released which establishes a group-wide approach to risk identification and management. New standards to be developed out of the general insurance review currently underway will also take on a consolidated approach, where practicable. |
| Canada | A) Current rating of 3. OSFI uses a consolidated approach to supervision for both banks and insurance companies, and applies this approach in a similar manner. The level of scrutiny given domestic and foreign subsidiaries of Canadian banks and insurers is determined on the basis of materiality. In concluding on materiality, judgement is applied in assessing such factors as capital employed, contribution to revenue and profits, inherent risk, and the quality of risk management processes. Based on this assessment, supervisory staff may chose to perform no further work, or at the other end of the continuum, visit the subsidiary and its regulator if it is a foreign operation. Capital adequacy for insurance companies is assessed on both a solo and consolidated basis. Regulated subsidiaries and the parent must meet their capital requirements on a solo basis, and the consolidated entity must meet the parent's capital requirements on a consolidated basis. The approach for banking is the same except that the parent bank's capital adequacy is not subject to a solo ratio. B) Future Rating of 3. |
| Denmark | A) Current 3. B) Future 4. |
| Iceland | A) Current 3. The Acts dealing with banks and insurance companies are based on the EU-Directives, and the FME´s scope of responsibilities are similar between sectors.<br>B) Future 3. |
| Japan | A) Current 3-4. We take both of consolidated and unconsolidated approaches for supervisory scope either on banks or insurance companies, although solvency margin requirements for insurance companies is on an unconsolidated basis. B) Future 3-4. (no change) |
| Korea | A) Current 3. Banks are supervised on a consolidated basis with regard to specific areas such as minimum Capital Adequacy Ratios. Insurance companies are supervised on an unconsolidated basis. B) Future 3. Insurance companies are expected to be supervised on a consolidated basis also. |
| Norway | A) Current 4. B) Future 4. Banks and Insurance companies are supervised both on an individual basis and on a consolidated basis. |

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| Singapore | A) 4 – Consolidated. Where the regulated entity has substantial holdings in other companies, MAS would supervise the entire group, including its subsidiaries and associated companies. B) 4 - No change. |
| Sweden | A) Current 1. B) Future 3. The supervision of insurance firms is still focused on a solo level. A so called solo plus supervision will be introduced for insurance groups from July 1, 2000. Group supervision (bank, insurance and security firms) will be introduced for larger groups from September 1, 2000. |
| United Kingdom | A) Current 1. B) Future 3. Supervisory scope: there are different approaches at present. For insurance companies the focus, in line with EC requirements, is on the solo regulated entity; this will change with the implementation later this year of the EC Insurance Groups Directive. There will still be differences in approach, however, reflecting the differences between this directive and the directives applying to banking groups. The EU is currently considering these differences in the context of work on its future approach to the supervision of conglomerates. |
| Question#2 (c) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (c) Regulatory accounting in such areas as:<br>i) Valuation of real estate assets?; ii) Valuation of securities?; iii) Reserving for losses on assets?; iv) Valuation of "deposit-like" insurance products?; v) (Other) areas of significant accounting difference (*please specify*). |
| Australia | There is no regulatory (i.e. APRA mandated) accounting for banks and insurance companies. Public reporting requirements for Australian financial institutions are governed by the accounting standards promulgated by the Australian Accounting Standards Board (AASB) - a body quite separate to APRA. Financial statements must be prepared in accordance with the requirements of the AASB. The Australian Government has announced its intention to ensure that all Australian accounting standards are in line with the International Accounting Standards of the IASC. Accounting standards harmonisation across industry types is therefore dependent on international initiatives in this area. That said, APRA has been able to influence the work of the AASB in a number of fields, and this will continue - with harmonisation a focus. Prudential reporting for off-site supervision is currently under review, as part of the APRA "Statistics Project". However, wherever possible, harmonisation with the public reporting requirements of the AASB is our objective in this field – so as to reduce the provider burden on regulated entities. Uniformity in cross-industry prudential reporting will, therefore, also be linked to international developments in this field. Wherever possible, the Statistics Project seeks to ensure that the same terms in different industries are defined identically.<br>i) A) Current 4. B) Future 4.<br>ii) A) Current 4. B) Future 4.<br>iii) A) Current 2. B) Future 2. A bank's provisioning policies should enable it to determine a level of general and specific provisions that is adequate to absorb estimated losses associated with its loan portfolio. For insurance companies, the Accounting Standards require that any changes in the net market value of assets must be recognised in the profit and loss statement in the financial year in which they occur.<br>iv) A) Current 2. B) Future 2. There are no specific requirements for the valuation of "deposit-like" insurance products in the Accounting or Actuarial Standards.<br>v) There is considerable difference in the treatment of Goodwill between banks and insurers. For insurers, movements in Goodwill are reflected in the P&L account in the period in which they occur, whereas banks charge Goodwill on an amortisation basis. |

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| Canada | i) A) Current rating of 1. There is little commonality between banking and insurance accounting requirements. Accounting requirements are set by the Canadian Institute of Chartered Accountants, which is the self-regulatory body for the accounting profession in Canada. B) Future rating of 3. We expect that current IASC accounting projects on financial instruments and insurance accounting, to which the CICA contributes, will result in the latter being able to resolve many of these differences in about three to four years.<br>ii), iii) & iv) A) & B) Same as for i) above.<br>v) None. |
| Denmark | i) A) Current 4. B) Future 4 – no change.<br>ii) A) Current 2. B) Future 4.<br>iii) A) Current 2. B) Future 4.<br>iv) A) Current 2. B) Future 3. |
| Iceland | i) A) Current 4. B) Future 4.<br>ii) A) Current 3. B) Future 3.<br>iii) A) Current 3. B) Future 3.<br>iv) A) Current 2. B) Future 2. |
| Japan | Accounting is governed by the Commercial Code and Corporate Accounting Standards, etc., in general, while the Banking Law and the Insurance Business Law have some exceptional provisions.<br>i) A) Current 4. There is no difference between banks and insurance companies. B) Future 4.<br>ii) A) Current 3. Both banks and insurance companies can, with the permission of the supervisor, set up trading account in which assets such as securities should be valued at market value. There are other two exceptions in the Insurance Business Law: (a) marketable stocks can be valued at an amount in excess of the acquisition value, but not more than the market value, and the profit accrued from revaluation should be set aside as reserve; (b) insurance companies can value marketable securities at market value, which are part of the property incorporated in a special account for unit-linked insurance products, etc. Fair value accounting of financial products apply to all companies on and after the business year beginning at 1 April, 2000. B) Future 3. (no change)<br>iii) A) Current 4. We set up inspection manuals for banks and insurance companies and they include inspection manuals for verification of the appropriateness of write-offs and provisioning. There is no difference between banks and insurance companies. B) Future 4. (no change)<br>iv) A) Current n/a - There are no specific provisions regarding “deposit-like” insurance products in the Banking Law and the Insurance business law. B) Future n/a - (no change) |
| Korea | i) A) Current 4. Historical valuation method applies B) Future 4. No change.<br>ii) A) Current 4. Fair value based on mark-to-market evaluation mainly applies. B) Future 4. No change.<br>iii) A) Current 3. According to the types of assets classified by the Standard of Asset Soundness Classification, different allowances are reserved. B) Future 3. New Risk Reserve System will be introduced in insurance sector.<br>iv) A) Current 1. The banking sector does not sell "deposit-like" insurance products and has no valuation method for such products. B) Future 2. The valuation method for "deposit-like" insurance products is expected to be introduced when banks sell "deposit-like" insurance products due to the introduction of Bancassurance.<br>v) A) Current 3. Significant accounting differences between banking and insurance companies do not exist as the accounting principles used by both industries are based on the established Financial Accounting Standards. However, minor accounting differences may exist according to the specific characteristics of the industries. B) Future 3. No change |

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| Norway | i) A) Current 3. B) Future: 3. Real estate is valued at the lower of cost or market value in banks and non-life insurance companies. Life-insurance companies, however, must value their portfolio of real estate at "market value" (a conservative approach, based on a pre-defined calculation method).<br>ii) A) Current 4. B) Future 4. Securities are valued at market price (fair value) both in banks and insurance undertakings.<br>iii) A) Current 2-3. We have a principle of fair value accounting in the banking sector and non-life insurance sector with regard to financial assets. In life insurance, accounting is based on fair value on the asset side and actuarial principles on the liability side. Banks are subject to loss provisioning requirements pertaining to their lending portfolio. B) Future 3-4. We expect more commonality in the future, as reserving for losses will be based on calculation models.<br>iv) A) Current B) Future -- We are uncertain how to answer this question. The valuation requirements in insurance are consistent and do not differentiate the type of products. Unit-linked products however are valued at fair value. (This type of products may only be offered by separate unit-linked companies).<br>v) With regard to the valuation of assets in the balance sheet of insurance undertakings, current assets are valued at market value, whereas fixed assets are valued at the lower of cost or market value. In life insurance, however, real estate must be valued at a calculated market value (see above). With regard to the valuation of liabilities in the balance sheet, the reserves in life insurance are calculated using the same interest rate as used in the contracts. No discounting is allowed in non-life insurance. |
| Singapore | i) A) Current 3 - For banks, real estate assets are valued at cost less depreciation, and market value is for disclosure only. In the case of insurance companies, valuation is also at cost less depreciation. Revaluation of properties is allowed subject to regulatory approval but it cannot be taken to profit and loss account except for the accounts of life insurers. B) Future 3 – Unlikely to remove the differences which arise from the different nature of banking and insurance businesses. As life insurers have to allocate their surplus (which include capital gains) to participating policyholders, they need to reflect unrealised capital gains in their books for computing and distributing their surplus.<br>ii) A) Current 3 - In general, securities are valued at lower of cost or market value on portfolio basis. In particular for banks, distinction is made between dealing securities, which are valued at lower of cost or market value and investment securities, which are valued at cost less permanent diminution, if any. B) Future 3 – Unlikely to remove the differences which arise from the different nature of banking and insurance businesses.<br>iii) A) Current 2 – Banks are required to classify loans and investments with principal or interest payments 3 months or more in arrears and set aside specific provisions for such impaired assets. Banks are also encouraged to make general provisions in addition to these specific provisions. In the case of insurance companies, if the value of any asset is of a lesser value than that determined in accordance with generally accepted accounting principles, that lesser value shall be the value of the asset. B) Future 2 – No change.<br>iv) A) Current 1 – Singapore insurers are not allowed to offer pure "deposit-like" insurance products. The closest, however, are single premium endowment policies, which are required to have a minimum sum insured of 150% of premium. These products are subjected to the minimum valuation basis like any other life insurance product. This is unlike bank deposit, which is valued at face amount. B) Future 1 – Unlikely to remove the differences which arise from the different nature of banking and insurance businesses.<br>v) The profit and loss of a life insurance business is affected to a large extent by prudence of the |

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| | statutory valuation basis. For example, writing of substantial new business would lead to a loss in the year in which the business is written because of reserve strain and hence capital may have to be injected into the life insurance fund to fund this "deficit". |
| Sweden | i) A) Current 2. Insurance companies have the option to choose between fair value and historical cost as valuation principles, whereas banks may not use fair values. B) Future 2. There are no indications of changes in this area.<br>ii) A) Current 3. Insurance companies may choose between historical cost, amortised cost and fair value as valuation principles, whereas banks don't have the fair value option for other securities than those held for sale. B) Future 3. There are no indications of changes in this area, unless the bank accounting directive is changed which may be the case if the joint working group on financial instruments include banks in the scope of IAS 39 Financial instruments.<br>iii) A) Current 4. When choosing historical cost as valuation principle both insurance companies and banks must make adjustments to the acquisition cost in case of impairment and the impairment is regarded as lasting. Even though an impairment is regarded only as temporary, both banks and insurance companies may account for the impairment by adjusting the acquisitions value to net realisable value. B) Future 4. There are no indications of changes in this area.<br>iv) A) Current 1. Insurance companies in Sweden follow the insurance accounting directive of the European Union in this as in all other respects. According to the directive (and Swedish law), Unit linked premiums are accounted for as revenue. For banks there are no explicit accounting rules for "deposit-like" insurance products. In practise however, these products are accounted for as traditional savings and bank deposits i.e. not as revenue. B) Future 1. We are closely following the IASC project on insurance. According to an issues paper published in 1999 unit linked products should not be accounted for as revenue. We are supportive to this approach, but will probably not make any changes in the regulations (the insurance accounting directive must probably be changed prior to a change in our regulations) until the IASC project is finalised.<br>v) A) Current 3. Apart from the differences described above, there are no other significant differences in the accounting of banks and insurance companies with regards to valuation principles other than those that relate to industry specific matters such as technical provisions for life insurance and general insurance and accounting for bad debts in banks. B) Future 3. Since the borderlines between the activities of traditional bank and insurance groups become less clear, it can be foreseen that differences in accounting rules (mentioned above) will have to be dealt with. We are not only following the IASC's work on insurance but also the discussions on fair values on financial instruments for banks. Since we have a strong preference for the work of IASC the results of this work can have big impact on the current valuation principle for banks, depending on the outcome of the work. |
| United Kingdom | Accounting: sectoral requirements apply and will continue to apply reflecting the different requirements of EC law; in general, banking supervision accommodates historic cost accounting to a greater degree. (i-v) A) Current 2. B) Future 3. |
| Question#2 (d) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (d) Components of capital (for capital adequacy purposes)? |
| Australia | A) Current 2. B) Future 3. Although little progress has been made to date in harmonising the components of capital for banks and insurers, initial steps have been made in the area of banking and general (non-life) insurance. In Australia, the capital base of an insurance company has traditionally been defined as a ‘residual’, i.e. the difference between assets and liabilities. APRA is currently discussing with industry a proposal under which capital will be defined in a similar manner to that which applies to banks. |

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| Canada | A) Current rating of 3. The definitions of capital, i.e. the components of capital for banks and insurance companies in Canada, are almost identical. The only major difference is that for life insurers, one additional capital component is permitted - Out of Canada Terminal Dividend Reserves (called Tier 2c). B) Future rating of 3. (no change). The differences are a function of the types of business banks and insurers engage in, and therefore these differences are not likely to be removed. |
| Denmark | A) Current 2. B) Future N/A. (dependent upon future European Union directive) |
| Iceland | A) Current 3. In line with relevant EU-Directives. B) Future 3. |
| Japan | A) Current 2-3. Capital for banks and solvency margin for insurance companies commonly comprise (a part of) equity capital, reserves, hidden values and subordinated debt, etc. The components of bank's capital is in accordance with the Basle Accord. A difference is that solvency margin for insurance companies comprise future risk reserve or catastrophe reserve.<br>B) Future 2-3. (no change) |
| Korea | A) Current 3. The component of capital for banking and insurance companies in Korea is almost identical. The difference is that for life insurance, two additional capital components are permitted. – Policyholder dividends and policy reserves. B) Future 3. No change. |
| Norway | A) Current 4. There are common capital adequacy rules applying both to the banking and insurance sector equally, in addition to insurance-specific solvency margin requirements. B) Future:? The situation has to be reassessed in the light of international developments. Due to pressure from the industry, and the fact that capital adequacy requirements for insurance companies are not common in the rest of the EEA, we may have to consider removing the capital adequacy requirements for insurance undertakings in Norway. |
| Singapore | A) Current 2 – For the purpose of computing capital adequacy for banks, the components of total capital are paid-up capital, general and revenue reserves, general provisions and subordinated debt. As for the computation of solvency margin for insurers, total capital comprises paid-up capital, general and revenue reserves, as well as revaluation reserves approved by MAS. B) Future 3 – MAS is moving towards risk-based capital requirement for insurers, as in the case of banks. However, the actual requirements will vary in view of the different nature of banking and insurance businesses. |
| Sweden | A) Current 2. B) Future 2. Capital adequacy for insurance firms is based on an EU directive. Components of capital consist mainly of equity and subordinated debt. The difference between fair value and historical cost for investments could also be included in the capital. Possible calls for supplementary contributions could be added in mutual firms. |
| United Kingdom | Components of capital: differences apply at present, again reflecting EC directives. The requirements for banks are more developed, reflecting the focus on the eligibility of different types of capital in banking regulation. The FSA will introduce a single list of eligible capital items (i.e. a single approach to the definition of regulatory capital) in its Handbook from 2002, but this is likely to preserve some differences between banks and insurers pending the harmonisation of eligible capital at the international level. A) Current 2. B) Future 3-4. |
| Question#2 (e) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (e) Minimum capital (capital adequacy) requirements? |
| Australia | A) Current 2. B) Future 3. As above, although little progress has been made to date in harmonising capital adequacy requirements for banks and insurers, initial steps have been made in the area of banking and general (non-life) insurance. APRA is currently discussing with industry a proposal to introduce a risk measurement regime that has some similarities with that of banks. The regime will also allow for the introduction of an 'internal models' option, similar in concept to that |

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| | used for market risk in banking. |
| Canada | A) Current rating of 2. Unlike the Basel Capital Accord for banks, OSFI's capital requirements for insurance companies distinguish between individual types of risk (e.g. mortality risk, morbidity risk, lapse risk, asset default risk, and interest margin pricing risk). Capital is assigned for each of these. However, the requirements for determining the amount at risk for off-balance sheet activities are the same. B) Future Rating of 2 (no change). Beyond the foreseeable future, there may be some scope for further convergence as a result of future changes in the Basel Capital Accord, the IAIS and/or in OSFI's own insurance capital rules. |
| Denmark | A) Current 1. B) Future N/A. (dependent upon future European Union directive) |
| Iceland | A) Current 2. In line with relevant EU-Directives. B) Future 2. |
| Japan | A) Current 2. There are some similarities between the capital adequacy requirement for banks, which is in accordance with the Basle Accord, and the solvency margin requirement for insurance companies, which adopts a risk-based approach. However, there are considerable differences between them. Many kinds of risks specific to insurance business are taken into account among risks to which insurance companies are exposed (risks to be considered comprise: insurance risk, assumed interest risk, asset management risk, and operational risk for life insurance business; general insurance risk, assumed interest risk, asset management risk, operational risk, and catastrophe risk for non-life insurance business). In addition, the solvency margin requirement is on an unconsolidated basis while the capital adequacy requirement is on a consolidated basis.<br>B) Future 2. (no change) |
| Korea | A) Current 3. When the FSS determines capital adequacy of banks and insurance companies, it applies the EU solvency margin system for insurance companies and BIS capital ratio for banks. However, the condition that the amount of necessary equity capital equivalent to the specific ratio should be more than risk-weighted assets or debts is applied to both industries. B) Future 3. No change. |
| Norway | A) Current 4. B) Future 3. (See our answer above) |
| Singapore | A) Current 1 – For banks incorporated in Singapore, the minimum paid-up capital or shareholders funds is US$0.9 billion (S$1.5 billion). In addition, they have to maintain at least 10% of tier 1 capital and 2% of upper tier 2 capital. Insurers require a minimum paid up capital or shareholders funds of US$15 million (S$25 million). They are also required to maintain a company solvency margin of US$3 million (S$5 million) on top of the minimum solvency margin for the respective insurance funds. B) Future 2 – MAS is currently drawing up risk-based capital requirement for insurance business. However, the risk factors will be specific to the respective businesses and actual requirements will vary. |
| Sweden | A) Current 1. B) Future 1. Minimum capital requirements are based on for non-life companies; premium income or claim payments and for life companies on the level of insurance liabilities. |
| United Kingdom | A) Current 2. B) Future 3. Minimum capital: again, differences apply and will continue to apply to reflect differences in EU law. The requirements for banks follow Basel standards, whereas insurers are subject to admissible asset requirements and asset-liability mismatch requirements as well as requirements reflecting insurance-specific risks. As far as possible these will be harmonised in the Handbook in 2002. Different absolute minimum capital amounts also apply: all banks must have € 5 million capital, whereas the minimum for insurers varies according to type of business. These will not be harmonised. |

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| Question#2 (f) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (f) Assessment of risk management effectiveness in such areas as credit risk, market risk, operational risk, liquidity risk? |
| Australia | A) Current 2. B) Future 3. APRA is currently reviewing its supervisory methodology across the range of institutions it supervises. The purpose is to establish a framework for assessing the risks in each institution and ensure consistent treatment for each class of risk. |
| Canada | A) Current rating of 3. OSFI's Supervisory Framework, which is in the process of being implemented, applies to both banks and insurers. It has identified seven risk categories and six separate risk management control functions. With the implementation of the Framework, supervision of banks and insurers is becoming increasingly more consistent. B) Future rating of 4. OSFI is in the process of developing a common set of detailed criteria against which an institution's risk management control functions will be evaluated. |
| Denmark | A) Current 3. B) Future 4. |
| Iceland | A) Current 2. More harmonised assessment procedures are being developed. B) Future 3. |
| Japan | A) Current 3-4. The effectiveness of risk management of banks and insurance companies is assessed mainly through on-site inspections. The procedures of this assessment are almost similar between banks and insurance companies as far as common risks are concerned. B) Future 3-4. (no change) Fit and Proper Test Introduction. |
| Korea | A) Current 3. FSS's Supervisory Framework for assessment of risk management applies to banks and insurance companies similarly according to the CAMELS. B) Future 4. Risk-focused assessment system will be introduced in the banking and insurance sector. |
| Norway | A) Current 3. B) Future 3. (The assessment of risk management differs somewhat in the banking sector and the insurance sector, as the risks are different). |
| Singapore | A) Current 2 – MAS has implemented the risk-based supervisory framework for banks and is in the process of developing a similar framework for insurance companies. B) Future 3 – The intention is to have common standards where possible. |
| Sweden | A) Current 4. FSA have issued guidelines for risk management in banks and insurance companies. They are not identical but in many respects very like. However market risks and liquidity risks are not managed in the same way in insurance companies as in banks. B) Future 4. No changes are foreseeable. |
| United Kingdom | A) Current 2. B) Future 4. Risk management: different requirements apply at present with relatively limited risk management requirements applying to insurers. Integrated requirements relating to the same risk will be introduced for all firms in the FSA's Handbook from 2002. |
| Question#2 (g) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (g) Assessment of corporate governance effectiveness? |
| Australia | A) Current 2. B) Future 3. As for (f). The review of supervisory methodology is also addressing corporate governance issues and, wherever relevant, introducing a common approach. This would cover areas such as the constitution of an entity's board, board committees and management, fit and proper tests, internal control arrangements, delegation of authority and the independence of key control functions e.g. audit, credit-control and actuarial. |
| Canada | A) Current rating of 4. Corporate governance and senior management effectiveness are two of the six risk management control functions assessed as part of OSFI's Supervisory Framework. As part of this assessment, most board documents are reviewed, including materials provided to the board (including its committees) prior to meetings, presentations made to the board, and board and committee minutes. B) Future rating of 4 (no change). |

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| Denmark | A) Current 3. B) Future 4. |
| Iceland | A) Current 3. B) Future 3. |
| Japan | A) Current 3-4. The effectiveness of corporate governance of banks and insurance companies is assessed mainly through on-site inspections. The procedures of this assessment are almost similar between banks and insurance companies. B) Future 3-4. (no change) |
| Korea | A) Current 3. To reform corporate governance, the requirement of outside directors, audit committees, and compliance officers have been introduced recently. B) Future 3. The FSC/FSS will strictly supervise for financial institution to adhere to the new corporate governance system. |
| Norway | A) Current 4. B) Future 4. (We have for instance common Internal Control regulations). |
| Singapore | A) Current 2 – In general, financial institutions that are incorporated in Singapore, have to comply with the corporate governance regulations under the Companies Act and if they are listed on the Singapore Exchange (SGX), the SGX listing requirements on corporate governance would apply too. In addition, the requirement for MAS to approve board of directors applies to banks as well as insurers. On top of that, local banks are required to institute Nominating Committee and Compensation Committee. The Nominating Committee's functions are to identify and review the appointments of members of the Board, Executive Committee, Audit Committee, Compensating Committee and the top executives of the bank. MAS has the authority to call for the records of Nominating Committee's deliberations to review the committee's effectiveness. The minutes of meeting of the various Board committees are also reviewed on-site by examiners. B) Future 2 – No change. MAS has imposed the above corporate governance requirements on banks, over and above the Singapore Exchange (SGX) listing requirements because of their critical role in supporting the real economy. |
| Sweden | A) Current 4. B) Future 4. The legislation is identical. |
| United Kingdom | A) Current 3. B) Future 4. Corporate governance effectiveness: integrated high level requirements will be achieved when the new legislation and the FSA Handbook takes effect next year, including a single set of requirements for high level systems and controls and for the apportionment of senior management responsibilities. |
| Question#2 (h) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (h) Off-site monitoring and analysis? |
| Australia | A) Current 2. B) Future 3. There are currently differences in the approach to off-site monitoring of banks and insurance companies. The review of supervisory methodology is looking to establish a framework for both off-site and on-site monitoring and analysis which is risk-based and able to highlight those institutions requiring further attention, including through on-site visits. |
| Canada | A) Current rating of 4. OSFI has adopted a common process of continuous supervision, which includes six steps – Analysis, Planning, Action, Documentation, Reporting and Follow-up. It no longer uses the off-site and on-site categorisations as all of these six steps could involve off or on-site work. A single supervision team for each institution performs all of the work for these six steps. B) Future rating of 4 (no change). |
| Denmark | A) Current 2. B) Future 3. |
| Iceland | A) Current 2. Off-site monitoring and analysis is more dominant in the supervision on insurance companies than in the case of banks. Procedures regarding information gathering are not fully identical. B) Future 3. More harmonisation is being foreseen. |
| Japan | A) Current 2. Basic ideas and approaches of off-site monitoring and analysis in supervision are almost similar between banks and insurance companies. However, off-site monitoring and analysis for banks is ahead in terms of the procedures for collecting and analyzing risk-based data regularly. B) Future 3-4. |

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| Korea | A) Current 4. The FSS analyzes call reports of financial institutions either monthly or quarterly and determines weak institutions based on the analysis. After the determination, the FSS takes Prompt Corrective Actions for the institutions. B) Future 4. A quarterly risk assessment system is expected to be introduced in the banking sector and a new monitoring system will be introduced for the insurance sector in the 2nd half of 2000. |
| Norway | A) Current 4. B) Future 4. We have a common section within the Finance and Insurance Department, which is responsible for off-site monitoring of both banks and insurance companies. |
| Singapore | A) Current 3 - The same methodology applies. This involves the review of periodical returns and follow-up meetings with financial institutions' management, where necessary. In addition, MAS holds regular dialogues with the institutions' external auditors. Besides, MAS co-operates closely with home bank supervisors and shares information with them for supervisory purposes.<br>B) Future 4 – Under review. |
| Sweden | A) Current 1,4. B) Future 3. Off site monitoring and analysis is today done separately in the different departments. The degree of commonality will increase when introducing new methods to analyse and supervise risks from September 1. A common frame for a rating model and risk assessment methods will be introduced. Some of the analysis will be centralised and include insurance, banks and security firms. |
| United Kingdom | A) Current 2. B) Future 4. Off-site monitoring: limited commonality achieved at present, reflecting the different historical supervisory styles and approaches developed in the separate regulators that are together forming the FSA. Some commonality will be achieved as a result of the new legislation and the preparation of the FSA's Handbook. Reporting requirements (i.e. regular returns) will remain substantially different at least until 2002. |
| Question#2 (i) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (i) Supervisory reliance on the work and opinions of boards and auditors? |
| Australia | A) Current 2. B) Future 3. Board reports and reports by both internal and external auditors are used by APRA in its supervisory process for both banks and insurance companies. It is intended that the approach currently adopted for banks, where APRA identifies specific topics for consideration by external auditors on an annual basis (e.g. approach to managing operational risk, adequacy of business contingency plans) be extended to insurers. |
| Canada | A) Current rating of 4. OSFI's supervisory process uses, where appropriate, the work of the institution's internal management and control functions. This work is performed in a common manner for banks and insurance companies. OSFI also relies on the external auditors for the fairness of the financial statements and uses their work to minimize duplication of effort. B) Future rating of 4 (no change). |
| Denmark | A) Current 4. B) Future 4 – no change. |
| Iceland | A) Current 2. The work of the internal management and auditors is a part of the supervisory process in both sectors. The presence of internal auditors is not required in insurance companies. B) Future 3. |
| Japan | A) Current 3. We carry out supervision including on-site inspections on banks and insurance companies taking into account the work and opinions of boards and auditors. B) Future 3. (no change) |
| Korea | A) Current 3. FSS's supervisory process uses the work of the institution's internal management and control functions for both banks and insurers. Internal and external audit working papers are reviewed, and meetings are held with internal and external auditors. However the level of supervisory reliance upon the views of boards and auditors is not high. B) Future 4. The degree of supervisory reliance on the work and opinions of boards and auditors is anticipated to be upgraded |

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| | when the new corporate governance systems such as outside directors, audit committee, and compliance officer are entrenched. |
| Norway | A) Current 4. B) Future 4. |
| Singapore | A) Current 4 – MAS' supervisory process includes a review of internal and external audit reports and working papers. Regular meetings are also held with them to discuss audit findings and other issues of mutual concern. MAS assesses the degree of independence, competence and standards of internal and external audits. We also conduct independent assessments of the adequacy of risk management controls and systems and provisions made by banks and insurers. B) Future 4 – No change. |
| Sweden | A) Current 4. B) Future 4. |
| United Kingdom | A) Current 2-3. B) Future 4. Boards and auditors: limited commonality at present but an integrated approach will be introduced in phases as the FSA's approach to supervision develops. In the medium term, the main difference is likely to relate to the need for the FSA to require insurers to appoint actuaries as well as auditors. |
| Question#2 (j) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (j) Supervisory reliance on the work and opinions of the supervisors of branches or subsidiaries of parent institutions that you supervise? |
| Australia | A) Current 2. B) Future 3. APRA is looking to formalise links with offshore host and home supervisors and incorporating their input into the prudential review process. This is particularly the case with insurers, where there has, to date, been little communication with home supervisors. |
| Canada | A) Current rating of 2. Currently, there is not much commonality between banks and insurers. OSFI has tended to interact more extensively with home supervisors of banks than it has for insurance companies. B) Future rating of 3. OSFI's current practices are changing quickly with the approach for insurers beginning to more closely resemble the approach for banks. Development and implementation of IAIS standards, which are similar to the Basel standards, will help this process. |
| Denmark | A) Current 4. B) Future 4 – no change. |
| Iceland | A) Current 2. B) Future 3. |
| Japan | A) Current 3. We carry out supervision on foreign branches or subsidiaries of parent banks and insurance companies taking into account the work and opinions of host supervisors of the branches or subsidiaries. B) Future 3. (no change) |
| Korea | A) Current 2. The FSS supervises all financial institutions in Korea and cooperates with the Board of Audit & Inspection, the Ministry of Finance & Economy, the National Tax Service, the Korea Deposit Insurance Corporation, and judicial authorities through information exchanges. B) Future 2. No change. |
| Norway | A) Current 4. B) Future 4. All the Nordic supervisors have recently signed a common Nordic Memorandum of Understanding incorporating the supervision of banking, insurance and securities. We also have bilateral cooperation arrangements with some banking supervisors within the EEA and a common collaboration agreement among all insurance supervisors within the EEA. The mode of cooperation follows basically the same principles in the banking and insurance sector, and is based on provisions in the EU directives. |
| Singapore | A) Current 2 – MAS reviews the supervisory assessments by the foreign supervisors and follows up with the banks' Head Office on the rectification of major control weaknesses. Regular dialogue is also held with the foreign supervisors to gain further insight into the strengths and weaknesses of the banks' overseas operations. Information gathered through such channels would help to determine the frequency of our inspecting the overseas branches. For the admission of foreign |

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| | insurance companies, MAS will assess the credence and reliability of their home regulators and thus the reliability of the Head Office printed accounts. Where necessary, MAS will exchange information informally with foreign insurance supervisors. B) Future 3 – Under review. |
| Sweden | A) Current 3. The home country supervision of banks and insurance companies are not identical. B) Future 3. No changes are foreseeable. |
| United Kingdom | Reliance on other supervisors: greater reliance for banks than for insurance companies; see also 3 A) Current 2. B) Future 3. |
| Question#2 (k) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (k) Rating systems? |
| Australia | A) Current 1. B) Future 3. APRA does not currently have rating systems in place. The current review of supervisory methodology is seeking to develop a framework for risk-based supervision that includes a common rating framework applying to all types of regulated institution. |
| Canada | A) Current rating of 4. OSFI's supervisory approach includes a common rating system. For each significant activity of an institution a rating is made for each of the seven standard inherent risk categories. The quality of risk management (or risk mitigates) is also assessed, in order to arrive at a net risk rating for each significant activity. In addition, OSFI's supervisory process also requires that the direction of risk be assessed. Once significant activities have been assessed, the materiality of each activity is taken into account to arrive at an overall net risk and the direction of overall net for the institution as a whole. Having assessed the overall net risk, supervisors assess capital and earnings to arrive at a composite risk rating and the direction for the composite risk for the institution. B) Future rating of 4 (no change). |
| Denmark | A) Current 3. B) Future 3 – no change. |
| Iceland | A) Current 1. Rating systems have not yet become a part of the supervisory process. A rating system in supervision on banks is being developed. B) Future 2. |
| Japan | A) Current – na. We have no rating system neither for banks nor for insurance companies. B) Future – na. (no change) |
| Korea | A) Current 3. The evaluation of banks are based on the CAMELS system, which consists of indicators such as capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The management evaluation of insurance companies based on the CAMELS system have been modified reflecting the characteristics of the insurance industry. B) Future 3. The Risk Assessment System will be introduced for the management evaluation of banks in the 2nd half of 2000. Insurance companies and banks will not be evaluated with the same standards because each financial sector has its own peculiarities. |
| Norway | N/A. The Norwegian supervisor does not rely on ratings, as most Norwegian companies are not rated. |
| Singapore | A) Current 1 – MAS has developed a rating system for banks but not insurance companies. B) Future 2 – Under review. |
| Sweden | A) Current not applicable. FSA has no systems in force. B) Future 4. One of the projects in The New Supervision covers a rating (early warning) system to be in force in the beginning of next year. |
| United Kingdom | Rating systems: different rating systems are currently used for each sector reflecting the existing regulators' approaches; these will be replaced by a single approach following completion of the FSA's work on the future approach to supervision. A) Current 3. B) Future 4. |

| Question#2 (l) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in the prudential supervision of banks and insurance companies in the following areas: (l) Early warning indicators? |
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| Australia | A) Current 1. B) Future 3. APRA is developing specific early-warning indicators for each class of regulated institution. |
| Canada | A) Current rating of 3. OSFI's Supervisory Framework includes a process of continuous supervision that is applied in a common manner to banks and insurance companies. This continuous approach to supervision is designed to provide an ongoing (i.e. early identification) assessment of the changes to the risk profiles of institutions, and to do so on a timely basis. The early warning indicators (principally financial ratios) used for these institutions differ, primarily because of the differences in the two types of businesses. B) Future rating of 3. |
| Denmark | A) Current 3. B) Future 3 – no change. |
| Iceland | A) Current 1. B) Future 2. |
| Japan | A) Current – na. We have Prompt Corrective Action for both for banks and insurance companies. B) Future – na. (no change) |
| Korea | A) Current 2. Banks are evaluated quarterly by 15 quantitative early warning indicators. B) Future 3. To examine the current risk level and the possibility of future deterioration of banks, the early warning indicators for risks will be introduced in the banking sector in June 2000. A new early-warning system will be introduced in the insurance sector. |
| Norway | A) Current 2-3. There are two different systems within banking supervision and insurance supervision with regard to the first stage (the early warning indicators). The Early Warning System in banking supervision is a quantitative well-established and tested system using early warning indicators based on key financial figures. The early warning models in insurance supervision are more qualitative. However, the system for following up early warning signs is the same (with regard to analyses and on-site inspections etc.) B) Future 3-4. We are planning a similar quantifiable early warning system in the insurance sector, since we will be emphasizing "risk-based supervision" to a greater extent. In order to implement the risk-based supervisory principles, the on-site inspections need to rely more heavily on off-site analyses of the risk, hence the requirements to off-site monitoring would be stricter and sophisticated early warning systems must be developed. |
| Singapore | A) Current 3 – MAS has developed early warning indicators for banks as well as insurers. Differences in financial ratios used reflect the nature of business. B) Future 3 – No change. |
| Sweden | A) Current not applicable. FSA has no systems in force. B) Future 4. One of the projects in The New Supervision covers a rating (early warning) system to be in force in the beginning of next year. |
| United Kingdom | Early warning systems: not used extensively in either sector. A) na B) na |

| Question#2 (m) | Other comments? |
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| Australia | |
| Canada | A number of other OSFI methodology-related initiatives that may be of interest to other participants are described in an annex to this document. |
| Denmark | |
| Iceland | |
| Japan | |
| Korea | |
| Norway | Within the Finance and Insurance Department we have one common section responsible for on-site inspections of banks and insurance companies as well as one common section for off-site monitoring and analysis (as mentioned above). |
| Singapore | |
| Sweden | |
| United Kingdom | Banking and insurance supervision are currently substantially different in the UK. This reflects both the relevant EC law and the historically different approaches of the supervisors forming the FSA. We will be seeking to integrate our approach to the supervision of these two sectors as far as possible. This will be in at least three stages. First, the introduction of the FSA's new legislation and the new Handbook of Rules and Guidance next year. Second, the development of a new supervisory approach to apply to all FSA-regulated firms, especially in terms of a common approach by the FSA to risk assessment and to the use of regulatory tools. And third, the development of new integrated prudential standards, due in 2002. Remaining differences after that date will mostly reflect different international standards across sectors. Current commonality is therefore 1 to 2, but in future 3 to 4. |

QUESTION #3
SUMMARY OF RATINGS CHART

3. What degree of commonality **A)** have you achieved, and **B)** do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:
(a) Licensing standards?
(b) Supervisory scope (consolidated vs. unconsolidated)?
(c) Regulatory accounting for:
(i) Valuation of securities?
(ii) (Other) areas of significant accounting difference (*please specify*)?
(d) Components of capital (for capital adequacy purposes)?
(e) Minimum capital (capital adequacy) requirements?
(f) Assessment of risk management effectiveness in such areas as credit risk, market risk, operational risk, liquidity risk?
(g) Assessment of corporate governance effectiveness?
(h) Off-site monitoring and analysis?
(i) Supervisory reliance on the work and opinions of boards and auditors?
(j) Supervisory reliance on the work and opinions of host supervisors of branches and subsidiaries of parent institutions that you supervise?
(k) Rating systems?
(l) Early warning indicators?

| QUESTION | 3(a) | | 3(b) | | 3(c)i | | 3(c)ii | | 3(d) | | 3(e) | | 3(f) | | 3(g) | | 3(h) | | 3(i) | | 3(j) | | 3(k) | | 3(l) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
| Australia | Question #3 does not apply to APRA | | | | | | | | | | | | | | | | | | | | | | | | | |
| Canada | Question #3 does not apply to OSFI | | | | | | | | | | | | | | | | | | | | | | | | | |
| Denmark | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 1 | 1 | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | na | na |
| Iceland | 3 | 4 | 3 | 3 | 3 | 3 | | | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 1 | 3 | 1 | 4 |
| Japan | 1 | 1 | 3 | 3 | 4 | 4 | | | 2 | 2 | 2-3 | 2-3 | 3-4 | 3-4 | 3-4 | 3-4 | 2 | 2-3 | 3 | 3 | 3 | 3 | na | na | na | na |
| Korea | 4 | 4 | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 3 | 4 | 4 | 3 | 4 | 2 | 2 | 3 | 3 | 2 | 3 |
| Norway | 3 | 3 | 4 | 4 | 4 | 4 | | | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3-4 | 3-4 | 4 | 4 | 4 | 4 | | | 2 | 2 |
| Singapore | 3 | 3 | 4 | 4 | 3 | 3 | | | 2 | 3 | 1 | 2 | 2 | 3 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 2 | 3 | 3 | 3 |
| Sweden | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | na | na | na | na |
| United Kingdom | 3 | 4 | 3 | 4 | 3 | 3 | 3 | 3 | 3 | 4 | 3 | 4 | 2-3 | 4 | 3 | 4 | 3 | 4 | 2 | 4 | 4 | 4 | 3 | 4 | na | na |

Responses based on a scale of 1 to 4, with 1 being "none at all"; 2 being "to some degree"; 3 being "to a significant degree"; 4 being "complete".

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| Question 3 below should be answered only by those agencies with both banking and securities supervisory responsibilities. | |
| Question#3 (a) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(a) Licensing standards? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI. |
| Denmark | A) Current 3. The banking and security firm acts administered by the Danish Financial Supervisory Authority (DFSA) contain many similarities concerning the factors that must be considered by DFSA in the licensing process. There are differences, however. B) Future 3 – no change. |
| Iceland | A) Current 3. The Minister of Commerce issues licenses for banks and securities firms, in light of the recommendations given by the FME. The Acts in question deal with identical factors as to the licensing, in line with the EU Directives. The review processes are also similar. B) Future 4. According to plan, more detailed and harmonised review processes are being developed. |
| Japan | A) Current 1. There is a big difference between banks and securities companies: a license for banking business should be obtained from the supervisor; while securities companies merely need to be registered by the supervisor. There are some similarities between licensing requirements of banks and registration of securities companies. B) Future 1. (no change) |
| Korea | A) Current 4. On July 23, 1999, the Financial Supervisory Commission established uniform and transparent licensing standards for the entire domestic financial sector. The new standards set internationally accepted norms for " The Establishment of Financial Institutions" and the promotion of sound competition among financial institutions. In addition, the standards address minimum capital adequacy requirements, investor risks, management ability and feasibility of business plans. B) Future 4. The FSC has a plan to arrange licensing standards for cyber financial companies to better prepare for the activation of "e-commerce". |
| Norway | A) Current 3. B) Future 3. The evaluation of management plays a more prominent role in the licensing of securities firms, while good capital and prudential standards are seen as more important in the licensing of banks. |
| Singapore | A) Current 3 – The principles underpinning our licensing criteria are similar. They include financial strength, ratings and rankings worldwide and home country, track record, fit and proper management and shareholdings, etc. However, specific criteria (such as minimum capital requirement) for each industry vary, depending on the extent of the institutions' fiduciary duties, nature of business and risk profile. For example, the capital requirement for institutions accepting retail deposits is more onerous compared to financial intermediaries that deal mainly with sophisticated institutional clients. The banking and securities supervisory departments handle the licensing process for the respective licences, but there is close consultation if the institution applying for one licence had dealings with the other department. B) Future 3 – No change. |
| Sweden | A) Current 4. The procedures when licensing banks and securities firms are identical. B) Future 4. |
| United Kingdom | Licensing standards: still governed by the existing sectoral legislation under which FSA operates. See 2 (a). A) Current 3. B) Future 4. |
| Question#3 (b) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas: (b) Supervisory scope (consolidated vs. unconsolidated)? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI. |

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| Denmark | A) Current 4. Within the area of accounting, auditing and consolidating securities firms are being governed by the acts governing banks. Both banks and securities firms are being supervised on a consolidated basis. B) Future 4 – no change. |
| Iceland | A) Current 3. The Acts dealing with banks and securities firms are based on the EU--Directives, and the FME´s scope of responsibilities is identical. B) Future 3. |
| Japan | A) Current 3. We take both of consolidated and unconsolidated approaches for banks. We take basically unconsolidated approaches for securities companies, though there are some exceptions (e.g. disclosure requirements for securities companies). B) Future 3. (no change) |
| Korea | A) Current 3. Banks are supervised on a consolidated basis with regard to specific areas such as minimum Capital Adequacy Ratios. Securities companies are supervised on an unconsolidated basis. B) Future 3. Securities companies will be supervised on a consolidated basis also. |
| Norway | A) Current 4. B) Future 4. |
| Singapore | A) Current 4 – Consolidated. Where the regulated entity has substantial holdings in other companies, MAS would supervise the entire group, including its subsidiaries and associated companies. B) Future 4 - No change. |
| Sweden | A) Current 4. The same consolidated approach is valid for both banking groups and securities firms groups. B) Future 4. |
| United Kingdom | A) Current 3. B) Future 4. Supervisory scope: similar approaches at present, reflecting the common framework of EC directives. But these directives contain different provisions for groups which do not contain a bank (e.g. a provision to exempt such groups from consolidated supervision subject to certain conditions) and these have been implemented by the existing UK securities supervisors. The FSA's approach to consolidated supervision will be integrated in the context of the FSA Handbook in 2002. |
| Question#3 (c) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(c) Regulatory accounting for: (i) Valuation of securities? (ii) (Other) areas of significant accounting difference (*please specify*)? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | i) A) Current 4. Within the area of accounting, auditing and consolidating securities firms are being governed by the acts governing banks. However, the more detailed rules are written down in separate orders for banks and securities firms respectively, with the orders for securities firms being to a high degree based on the orders for banks. The principles for valuation of securities are identical for banks and securities firms. B) Future 4 – no change.<br>ii) A) Current 4. There are no areas of significant accounting differences between banks and securities firms. B) Future 4 – no change. |
| Iceland | The accounting methods regarding banks and securities firms are based on the same regulations and have been developed in accordance with EU-Directives.<br>i) A) Current 3. B) Future 3. |
| Japan | Accounting is governed by the Commercial Code and Corporate Accounting Standards, etc., in general, while there are exceptional provisions in the Banking Law and the Securities and Exchange Law.<br>i) A) Current 4. Both banks and securities companies can, with the permission of the supervisor, set up trading account in which assets such as securities should be valued at market value. Fair value accounting of financial products apply to all companies on and after the business year beginning at 1 April, 2000. B) Future 4. (no change) |

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| Korea | i) A) Current 4. Fair value based on mark-to-market valuation mainly applies. B) Future 4. No change.<br>ii) A) Current 3. Accounting differences between banking and securities companies are not significant because these two institutions use separate accounting regulations based on Financial Accounting Standards. However, minor differences of accounting exist according to the characteristics of industries. B) Future 3. No change |
| Norway | i) A) Current 4. B) Future 4. |
| Singapore | i) A) Current 3 – For banks, distinction is made between dealing securities, which are valued at lower of cost or market value and investment securities, which are valued at cost less permanent diminution, if any. The same applies for the preparation of financial statements of securities firms. However, for the purpose of computing the adjusted net capital (ANC) for securities firms, investments in subsidiaries and associated companies are treated as non-current assets, which must be deducted from the ANC. Also, securities are marked to market in that deduction should be made against the ANC should the market value fall below cost or book value. B) Future 3 – Unlikely to remove the differences which arise from the different nature of banking and securities businesses. |
| Sweden | i) A) Current: the principles are the same for banks and securities firms. B) Future: there are no indications of changes in this area, except those mentioned above.<br>ii) A) Current: the accounting legislation and regulation are the same for banks and securities firms. B) Future: there are no indications of changes in this area. |
| United Kingdom | Accounting: some sectoral requirements will continue to apply, reflecting the different requirements of EC law.<br>i) A) Current 3. B) Future 3.<br>ii) A) Current 3. B) Future 3. |
| Question#3 (d) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(d) Components of capital (for capital adequacy purposes)? |
| Australia | Not Applicable. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current 4. The definition of capital, i.e. the components of capital for banks and securities firms are identical. B) Future 4 – no change. |
| Iceland | A) Current 4. The BIS-rules apply also to securities firms according to relevant EU-Directives. B) Future 4. |
| Japan | A) Current 2. Capital for banks and securities companies commonly comprises equity capital, reserves, hidden values and subordinated debt, etc. The constituent of bank's capital is in accordance with the Basle Accord. A big difference between them is that the amount of non-current assets such as fixed assets is deducted from the amount of securities company's capital.<br>B) Future 2. (no change) |
| Korea | A) Current 3. The component of capital for banking and securities companies in Korea is almost identical. The main component of securities companies is Operational Net Capital whereas the main component of banks is BIS capital. * Operational Net Capital: equity capital - the sum of deducting items + supplementary capital (subordinated bonds). B) Future 3. No change. |
| Norway | A) Current 4. B) Future 4. |

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| Singapore | A) Current 2 – For the purpose of computing capital adequacy for banks, the components of total capital are paid-up capital, general and revenue reserves, general provisions and subordinated debt. For securities firms, total capital includes paid-up capital, general and revenue reserves and subordinated loans. B) Future 3 – MAS is moving towards risk-based capital requirement for securities firms, as in the case of banks. However, the actual requirements will vary in view of the different nature of banking and securities businesses. |
| Sweden | A) Current 4. The components of capital are almost identical for securities firms and banks. For banks one additional capital components is permitted in Tier 1. B)Future 4. No change is foreseeable. |
| United Kingdom | Components of capital: limited differences apply at present, again reflecting EC directives and the application of Basel Committee standards to banks. These differences will be substantially eliminated in the FSA Handbook from 2002. A) Current 3. B) Future 4. |
| Question#3 (e) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(e) Minimum capital (capital adequacy) requirements? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current 1. Due to differences in business activities for banks and securities firms respectively, the minimum capital requirements for banks are different from the minimum requirements for securities firms, with the minimum requirements for banks being above the minimum requirements for securities firms. B) Future 1 – no change. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 2-3. There are considerable similarities between the capital adequacy requirement for banks, which is in accordance with the Basel Accord, and that for securities companies, which adopts a solvency margin for securities firms; however, there are some differences between them. Many kinds of risks to be taken into account in these requirements are similar between banks and securities companies (risks to be considered for securities companies comprise market risk, counterparty risk and fundamental risk). In addition, the requirement for securities companies is on an unconsolidated basis while that for banks is on a consolidated basis. B) Future 2-3. (no change) |
| Korea | A) Current 3. When the FSS determines capital adequacy of banks and securities companies, it applies the Operational Net Capital Ratio for securities companies and BIS capital ratio for banks. However, the condition that the amount of necessary equity capital equivalent to the specific ratio should be more than risk-weighted assets or debts is applied to both industries. B) Future 3. No change. * Operational Net Capital Ratio : Operational Net Capital/gross risk amount X 100 |
| Norway | A) Current 4. B) Future 4. (However the requirement for initial capital may vary). |
| Singapore | A) Current 1 – For banks incorporated in Singapore, the minimum paid-up capital or shareholders funds is US$0.9 billion (S$1.5 billion). In addition, they have to maintain at least 10% of tier 1 capital and 2% of upper tier 2 capital. For securities dealers, a member firm and a non-member firm of the Singapore Exchange (SGX) needs a minimum paid-up capital of US$8.8 million (S$15 million) and US$1.2 million (S$2 million) respectively. Also, they are required to maintain adjusted net capital (ANC) of US$2.9 million (S$5 million) and US$147, 000 (S$250,000) respectively. The ANC is the liquid capital, which is total shareholders' funds plus subordinated loans, net of the requisite hair cuts to account for the various risk exposures.<br>B) Future 2 – MAS is currently drawing up risk-based capital requirement for securities business. However, the risk factors will be specific to the respective businesses and actual requirements will vary. |

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| Sweden | A) Current 4. Deposit taking securities firms and banks have identical regulations. Securities firms that do not take deposits have less strict rules. B) Future 4. |
| United Kingdom | A) Current 3. B) Future 4. Minimum capital: the main differences, which reflect differences in EU law, are in the treatment of short term subordinated debt (which can form a somewhat higher proportion of a securities firm's capital base than a bank's) and the minimum absolute amount of capital required (e.g. securities firms that deal as principal must have euro 730,000 minimum capital whereas banks must have euro 5 million). |
| Question#3 (f) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas (f) Assessment of risk management effectiveness in such areas as credit risk, market risk, operational risk, liquidity risk? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current 4. Both for banks and securities firms this assessment is to a high degree achieved at on- site inspections. The supervisory methods at on-site inspections are similar for banks and securities firms apart from differences caused by differences in business activities. B) Future 4 – no change. |
| Iceland | A) Current 3. More harmonised assessment procedures are being developed. Specific liquidity requirement rules apply for banks but no such rules apply for securities firms. B) Future 3. |
| Japan | A) Current 3-4. The effectiveness of risk management of banks and securities companies is assessed mainly through on-site inspections. The procedures of this assessment are almost similar between banks and securities companies as far as common risks are concerned. B) Future 3-4. (no change) |
| Korea | A) Current 3. FSS's supervisory framework for assessment of risk management applies to banks and securities companies similarly according to the CAMELS. B) Future 4. Risk-focused assessment system will be introduced in the banking and securities sector. |
| Norway | A) Current 4. B) Future 4. |
| Singapore | A) Current 2 – MAS has implemented the risk-based supervisory framework for banks and is in the process of developing a similar framework for securities firms. B) Future 3 – The intention is to have common standards where possible. |
| Sweden | A) Current 4. The regulations for securities firms and banks are in all major respect identical. B) Future 4. |
| United Kingdom | Risk management: different requirements apply at present in the existing regulators' rulebooks but will be entirely integrated and harmonised in the FSA Handbook in 2002. The same high level requirements will apply from the introduction of the new legislation. A) Current 2-3. B) Future 4. |
| Question#3 (g) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas: (g) Assessment of corporate governance effectiveness? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |

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| Denmark | A) Current 3. Both for banks and securities firms this assessment is to a high degree achieved at on-site inspections. The supervisory methods for conducting on-site inspections in banks and in securities firms are similar apart from differences caused by differences in business activities. It is, however, the impression that there in securities firms often is a bigger need - also in the period between on-site inspections - to overview that management comply with the standard of being fit and proper. This need is caused by the fact that in some securities firms, due to the size of the firm, the management will often be identical with the shareholders. A fact which could weaken the control possibilities. B) Future 3 – no difference. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 3-4. The effectiveness of corporate governance of banks and securities companies is assessed mainly through on-site inspections. The procedures of this assessment are almost similar between banks and securities companies. B) Future 3-4. (no change) |
| Korea | A) Current 3. To reform corporate governance, the requirement of outside directors, audit committees, and compliance officers have been introduced. B) Future 3. The FSC/FSS will strictly supervise for financial institutions to adhere to the new corporate governance system. |
| Norway | A) Current 4. B) Future 4. |
| Singapore | A) Current 2 – In general, financial institutions that are incorporated in Singapore, have to comply with the corporate governance regulations under the Companies Act and if they are listed on the Singapore Exchange (SGX), the SGX listing requirements on corporate governance would apply too. In addition, the requirement for MAS to approve board of directors applies to banks as well as securities firms. On top of that, local banks are required to institute Nominating Committee and Compensation Committee. The Nominating Committee's functions are to identify and review the appointments of members of the Board, Executive Committee, Audit Committee, Compensating Committee and the top executives of the bank. MAS has the authority to call for the records of Nominating Committee's deliberations to review the committee's effectiveness. The minutes of meeting of the various Board committees are also reviewed on-site by examiners. B) Future 2 – No change. MAS has imposed the above corporate governance requirements on banks, over and above the Singapore Exchange (SGX) listing requirements because of their critical role in supporting the real economy. |
| Sweden | A) Current 4. The regulations for securities firms and banks are in all major respect identical.<br>B) Future 4. |
| United Kingdom | Corporate governance effectiveness: see 2 (g). A) Current 3. B) Future 4. |
| Question#3 (h) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(h) Off-site monitoring and analysis? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current 4. There are in principle no difference in the way that off-site monitoring and analysis is being conducted for banks and securities firms respectively. B) Future 4 – no change. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 2. Basic ideas and approaches of off-site monitoring and analysis in supervision are almost similar between banks and securities companies, however, the supervisor of securities companies does not put so much emphasis on prudential supervision as the supervisor of banks does. Supervision of banks is ahead in terms of the procedures for collecting and analyzing risk-based data regularly, while the supervisor of securities companies requires them to report their capital adequacy ratio on a monthly basis. B) Future 2-3. |

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| Korea | A) Current 4. The FSS analyzes call reports of financial institutions either monthly or quarterly and determines weak institutions based on the analysis. After the determination, the FSS takes Prompt Corrective Actions for the institutions. B) Future 4. A quarterly risk evaluation system is expected to be introduced in the banking sector and a new monitoring system will be introduced for the securities sector in the 2nd half of 2000. |
| Norway | A) Current 3-4. B) Future 3-4. (The organization of supervision with regard to on-site inspections and off-site monitoring and analysis is somewhat different, supervision of the securities market being done in a separate department than the Finance and Insurance Department. Please see our organizational chart). |
| Singapore | A) 3 – The same methodology applies. This involves the review of periodical returns and follow-up meetings with financial institutions' management, where necessary. In addition, MAS holds regular dialogues with the institutions' external auditors. Besides, MAS co-operates closely with home bank supervisors and shares information with them for supervisory purposes. As for securities firms, stress tests are performed on a regular basis to assess their financial conditions and compliance with capital requirements and financial ratios. B) 4 – Under review. |
| Sweden | A) Current 4. The regulations for securities firms and banks are in all major respect identical.<br>B) Future 4. |
| United Kingdom | A) Current 3. B) Future 4. Off-site monitoring: there are similar approaches at present despite the different existing regulators. The integration of prudential requirements has led to a similar financial reporting framework; although the use of other regulatory tools (e.g. the use of accountants to provide reports on the business of a firm) differs significantly. A single FSA approach will be developed in two phases, in the FSA Handbook, and as a result of the further work on our approach to supervision. Reporting requirements will remain substantially different at least until 2002. |
| Question#3 (i) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(i) Supervisory reliance on the work and opinions of boards and auditors? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current 4. DFSA uses, where appropriate, the work of auditors and control functions for both banks and securities firms in the supervisory process. Internal and external audit working papers are reviewed, and meetings are held with internal and external auditors. B) Future 4 – no difference. |
| Iceland | A) Current 4. B) Future 4 |
| Japan | A) Current 3. We carry out supervision including on-site inspections on banks and securities companies taking into account the work and opinions of boards and auditors. B) Future 3. (no change) |
| Korea | A) Current 3. FSS's supervisory process uses the work of the institution's internal management and control functions for both banks and securities companies. Internal and external audit working papers are reviewed, and meetings are held with internal and external auditors. However the level of supervisory reliance upon the views of boards and auditors is not high. B) Future 4. The degree of supervisory reliance on the work and opinions of boards and auditors is anticipated to be upgraded when the new corporate governance systems such as outside directors, audit committee, and compliance officer are entrenched. |
| Norway | A) Current 4. B) Future 4. |

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| Singapore | A) Current 4 – MAS' supervisory process includes a review of internal and external audit reports and working papers. Regular meetings are also held with them to discuss audit findings and other issues of mutual concern. MAS assesses the degree of independence, competence and standards of internal and external audits. We also conduct independent assessments of the adequacy of risk management controls and systems and provisions made by banks. B) Future 4 – No change. |
| Sweden | A) Current 4. The regulations for securities firms and banks are in all major respect identical.<br>B) Future 4. |
| United Kingdom | Boards and auditors: limited commonality at present but an integrated approach will be introduced in phases as the FSA's approach to supervision develops. A) Current 2. B) Future 4. |
| Question#3 (j) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(j) Supervisory reliance on the work and opinions of host supervisors of branches and subsidiaries of parent institutions that you supervise? |
| Australia | Not Applicable. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current 4. DFSA conducts on-site inspections in Danish banks branches and subsidiaries abroad to the extent that it is possible according to legislation in the host country. During such an inspection one or more meetings are normally being held with host supervisors. DFSA, however, does only to a minor degree base its view on the branch or subsidiary on these talks and instead makes its own assessment of the branch or subsidiary. Danish securities firms do for the time being only have one minor branch and no subsidiaries abroad, but it can be assumed that there will not be any difference between supervisory reliance on the work and opinions of host supervisors of branches and subsidiaries of parent banks being supervised by DFSA and supervisory reliance on the work and opinions of host supervisors of branches and subsidiaries of parent securities firms being supervised by DFSA.<br>B) Future 4 – no difference. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 3. We carry out supervision on foreign branches or subsidiaries of parent banks and securities companies taking into account the work and opinions of host supervisors of the branches or subsidiaries. B) Future 3. (no change) |
| Korea | A) Current 2. The FSS supervises all financial institutions in Korea and cooperates with the Board of Audit & Inspection, the Ministry of Finance & Economy, the National Tax Service, the Korea Deposit Insurance Corporation, and judicial authorities through information exchanges.<br>B) Future 2. No change |
| Norway | A) Current 4. B) Future 4. As mentioned above, the Nordic supervisors have recently signed a common Nordic MoU incorporating the supervision of banking, insurance and securities. We have common collaboration agreements among securities supervisors within the EEA (through FESCO) and bilateral agreements (MoU's) with relevant banking supervisors within the EEA. |
| Singapore | A) Current 4 – MAS will review and monitor the work and opinions of host supervisors on branches and subsidiaries of banks and securities firms under our supervision. B) Future 4 – No change. |
| Sweden | A) Current 4. The regulations for securities firms and banks are in all major respect identical.<br>B) Future 4. |

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| United Kingdom | Branches etc: the roles of home and host supervisors of subsidiaries and branches are defined in EC legislation and are the same in principle for banks and securities. For subsidiaries, host state supervisors lead on prudential requirements but do not normally undertake consolidated supervision; for branches the host state responsibility is limited to the monitoring of liquidity (banks only) and conduct of business requirements in investment business.<br>A) Current 4. B) Future 4. |
| Question#3 (k) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(k) Rating systems? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI. |
| Denmark | A) Current 3. Rating systems exist for both banks and securities firms based on a mechanical rating (objective) and a personal rating (subjective). Due to differences in business activities for banks and securities firms there are differences in the way the rating systems are built up.<br>B) Future 3 – no change. |
| Iceland | A) Current 1. Rating systems have not yet become a part of the supervisory process. B) Future 3. |
| Japan | A) Current – na. We have no rating system neither for banks nor for securities companies.<br>B) Future – na. (no change) |
| Korea | A) Current 3. The evaluation of banks are based on the CAMELS system which consists of indicators such as capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. The management evaluation of securities companies are also based on the CAMELS system. B) Future 3. The Risk Assessment System will be introduced for the evaluation of banks in the 2nd half of 2000. Securities companies would be evaluated by the indicators such as risk management, internal control related with compliance and capital adequacy. |
| Norway | N/A. The Norwegian supervisor does not rely on ratings, as most Norwegian companies are not rated. |
| Singapore | A) Current 2 – The rating systems for banks and securities firms are developed using different models even though the methodology is broadly similar. B) Future 3 – Under review. |
| Sweden | Current not applicable. See 2 (k) and (l). |
| United Kingdom | Rating systems: different rating systems are currently used for each sector reflecting the existing regulators' approaches; these will be replaced by a single approach following completion of the FSA's work on future approach to supervision. A) Current 3. B) Future 4. |
| Question#3 (l) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(l) Early warning indicators? |
| Australia | Question 3 does not apply to APRA. |
| Canada | Question 3 does not apply to OSFI |
| Denmark | A) Current N/A. For the time being DFSA has no early warning system neither for banks nor for securities firms. B) Future N/A. For the time being there are no plans concerning establishing early warning systems for banks or for securities firms. |
| Iceland | A) Current 1. Not available at this time. B) Future 4. |
| Japan | A) Current – na. We have Prompt Correction Action for both banks and securities companies.<br>B) Future - na (no change) |

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| Korea | A) Current 2. Banks are evaluated quarterly by 15 quantitative early warning indicators. In the securities sector, necessary actions are being taken according to the degree of operational net capital ratios. B) Future 3. To examine the current risk level and the possibility of future deterioration of banks, the early warning indicators for risks will be introduced in the banking sector in June 2000. |
| Norway | A) Current 2. B) Future 2. We do not use formal Early Warning Systems in the supervision of securities firms. However the off-site monitoring and analysis of reports uncovers potential problems which then are followed up. |
| Singapore | A) Current 3 - MAS has developed early warning indicators (e.g. stress tests) for banks as well as securities firms using slightly different financial ratios that reflect the nature of business.<br>B) Future 3 – No change. |
| Sweden | Current not applicable. See 2 (k) and (l). |
| United Kingdom | A) N/A B) N/A |
| Question#3 (m) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable, in the supervision of banks and securities firms in the following areas:<br>(m) Other comments? |
| Australia | |
| Canada | |
| Denmark | |
| Iceland | |
| Japan | |
| Korea | |
| Norway | Securities firms have to report their capital adequacy on a monthly basis instead of a quarterly basis (as for banks and insurance). |
| Singapore | |
| Sweden | |
| United Kingdom | Substantial commonality has already been achieved in the banking and securities areas as a result of EC legislation which significantly harmonised capital and other prudential requirements in 1996. The main differences now are in the detail of the legislation and how it has been implemented, reflecting differences between banking and securities business that we would expect to continue, and in some cases in the different supervisory approaches of the former regulators. |

## QUESTION #4
## SUMMARY OF RATINGS CHART

4. What commonality of approach **A)** have you achieved, and **B)** do you expect to achieve in the foreseeable future, as between the supervision of foreign bank branches and foreign insurance company branches operating in your jurisdiction in terms of:
(a) Information required from the parent institution?
(b) Information required from the home supervisor?

| QUESTION | 4(a) | | 4(b) | |
|---|---|---|---|---|
| | **A** | **B** | **A** | **B** |
| Australia | 2 | 3 | 2 | 3 |
| Canada | 3 | 3 | 2 | 3 |
| Denmark | 4 | 4 | 4 | 4 |
| Iceland | 3 | 3 | 3 | 3 |
| Japan | 2-3 | 2-3 | 3 | 3 |
| Korea | 2 | 3 | 2 | 3 |
| Norway | 3-4 | 3-4 | 3-4 | 3-4 |
| Singapore | 4 | 4 | 2 | 3 |
| Sweden | 1 | 1 | 1 | 1 |
| United Kingdom | 2 | 3 | 2 | 3 |

Responses based on a scale of 1 to 4, with 1 being "none at all"; 2 being "to some degree"; 3 being "to a significant degree"; 4 being "complete".

| Question#4 | What commonality of approach A) have you achieved, and B) do you expect to achieve in the foreseeable future, as between the supervision of foreign bank branches and foreign insurance company branches operating in your jurisdiction in terms of:<br>(a) Information required from the parent institution?<br>(b) Information required from the home supervisor? |
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| Australia | Under Australian legislation it is no longer possible to establish a branch Life Insurance operation. There is only one life insurance branch currently in operation and it is in the process of domesticating its operations. Comments below relate to general insurance only.<br>(a) A) Current 2. B) Future 3. APRA's approach to date has required considerable information from and about the parent of banks operating in Australia. A similar approach is now being extended to insurers. For example, prudential consultations with insurers to discuss the strategy and financial position of the parent now include overseas senior executives as well as the local senior management.<br>(b) A) Current 2. B) Future 3. APRA has shared information with the home supervisor of banks operating in Australia. In respect of new applications, APRA requires a statement from the home supervisor consenting to the application, confirming the applicant's financial standing and that it agrees to cooperate in the supervision of the proposed branch. A similar approach is being adopted for foreign insurance companies operating in Australia. |
| Canada | (a) A) Current rating of 3. OSFI's initial and ongoing information requirements are not materially dissimilar. OSFI is developing an annual regulatory return to be filed by the home bank that will encompass financial and non-financial information. With respect to foreign insurance branches, OSFI receives copies of foreign regulatory returns filed by the insurance companies in their home jurisdictions. In each case, OSFI requires supplemental information such as audited shareholders' statements, 10Ks, 10Qs, etc. B) Future rating of 3 (no change).<br>(b) A) Current rating of 2. OSFI's information requirements are somewhat dissimilar given the nature of the foreign bank branch regime which necessitates "in person" discussions with the home supervisor, not only initially but also on an on-going basis so as to preserve the home-host supervisory reliance process. B) Future rating of 3. OSFI is giving some preliminary thought to extending some of the tenets of the foreign bank branch regime's home-host supervisory reliance process to the ongoing supervision of foreign insurance branches. |
| Denmark | (a) A) Current 4. DFSA does not require information from the parent institution concerning foreign bank branches or concerning foreign insurance company branches operating in Denmark as long as the parent company has its license within the European Union. If this is not the case DFSA does require information from the parent institution. B) Future 4 – no change.<br>(b) A) Current 4. DFSA does not normally require information from the home supervisor concerning foreign bank branches or concerning foreign insurance company branches operating in Denmark. B) Future 4 – no change. |
| Iceland | (a) A) Current 3. B) Future 3.<br>(b) A) Current 3. B) Future 3. |
| Japan | (a) A) Current 2-3. The supervisor can require a foreign bank's branch to provide reports or materials on the business and financial conditions of the foreign bank's branch and foreign bank; etc to the supervisor, and it can carry out on-site inspection to the foreign bank's branch. The supervisor can require a foreign insurance company and its agent for underwriting to provide reports or materials on the business and financial conditions of the foreign insurance company to the supervisor and, when especially needed, it can also require a specific party of the foreign insurance company including its parent company to do that. In addition, the supervisor can carry out on-site inspection to a branch of a foreign insurance company and, when especially needed, it |

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| | can also carry out on-site inspection to the specific party of the foreign insurance company. The above difference corresponds to the difference of their supervisory framework including licensing. B) Future 2-3. (no change)<br>(b) A) Current 3. We require the home supervisor, when appropriate, to provide information necessary for supervision of a foreign bank's branch or a foreign insurance company's branch, including information necessary for licensing. B) Future 3. It depends on future development of the framework of information sharing between supervisors in different jurisdictions. |
| Korea | (a) A) Current 2. At the time of a bank's establishment, the supervisory authority requests information such as management profiles, operating and management results of the latest 3 years, and international operations and data on overseas offices of a parent company. Generally, the supervisory authority requests information concerning parent companies after the issuance of the licence. In the case of an insurance company's establishment, the supervisory authority requests B/S and P/L of the last 3 years, but rarely request information concerning parent companies after the issuance of the license. B) Future 3. Insurance companies will be supervised based on parent companies' information reflecting the international characteristics of the insurance business.<br>(b) A) Current 2. At the time of a bank's establishment, the supervisory authority requests licensing documents from the home supervisor. At the time of an insurance company's establishment, and approval of other businesses by insurance companies, the supervisory authority requests licensing or approval documents from home supervisors. B) Future 3. The cooperation between host supervisors and home supervisors will be strengthened to share necessary supervisory information in both the banking and insurance sector. |
| Norway | (a) and (b): A) Current 3-4. B) Future 3-4. There is a high degree of commonality in the supervision of foreign bank branches and foreign insurance company branches. In addition, as mentioned previously, the Nordic supervisory authority have signed a common MoU inter alia covering cooperation related to the supervision of Nordic bank branches and insurance company branches. The information requirements are somewhat different but the mode of cooperation is the same. As parent undertakings are not under our supervision, we would normally request necessary or relevant information from the supervisory authority of the parent undertaking, or we may request information about the parent undertaking from the branch in Norway. |
| Singapore | (a) A) Current 4 – Parent institutions are required to submit their annual statutory returns and financial statements of their global operations. They are also required to inform MAS of any significant changes in ownership or restructuring. B) Future 4 – No change.<br>(b) A) Current 2 – MAS will consult home supervisor in the process of reviewing licence applications from foreign bank branches. We also request for inspection reports from foreign bank supervisors. On the other hand, MAS will routinely send a copy of its inspection reports to foreign bank supervisors. While we do not regularly obtain information from home supervisors in the course of processing insurance licences, a foreign insurance branch is required to provide the name and address of its home supervisory authority, and information regarding any restrictions or actions imposed by the home supervisory authority. B) Future 3 – Under review. |
| Sweden | (a) and (b) A) Current 1. B) Future 1. Bank´s branches and insurance company branches are not common in Sweden. Therefore FSA´s experience in this field is very limited. There is no commonality today |

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| United Kingdom | (a) and (b) A) Current 2. B) Future 3. There remain significant differences in this area, again reflecting both different EC requirements and the different approaches of existing regulators. The UK supervisor of a bank or insurance company takes account of the home supervisor's requirements in supervising the branch. But for banks, there is more discussion between the FSA and the home state regulator on the authorisation of the branch and on a continuing basis. For insurance company branches, UK solvency requirements are applied to the whole insurance company, whereas for bank branches in the UK the FSA requires the bank to have adequate capital but in general regards this as being met by compliance with the home regulator's requirements. |

QUESTION #5
SUMMARY OF RATINGS CHART

5. What degree of commonality **A)** have you achieved, and **B)** do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as:
   (a) Recruitment standards?
   (b) Formal training programs?
   (c) Other career development initiatives?
   (d) Job (position) ratings?
   (e) Compensation policies?
   (f) Others comments?

| QUESTION | 5(a) | | 5(b) | | 5(c) | | 5(d) | | 5(e) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
| Australia | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Canada | 4 | 4 | 2 | 2 | 4 | 4 | 4 | 4 | 4 | 4 |
| Demark | 4 | 4 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Iceland | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Japan | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Korea | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 4 | 4 |
| Norway | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Singapore | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Sweden | 1 | 4 | 4 | 4 | 3 | 4 | 1 | 1 | 4 | 4 |
| United Kingdom | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |

Responses based on a scale of 1 to 4, with 1 being "none at all"; 2 being "to some degree"; 3 being "to a significant degree"; 4 being "complete".

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| Question#5 (a) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as: (a) Recruitment standards? |
| Australia | A) Current 4. B) Future 4. Since its formation, APRA has moved quickly to put in place uniform Human Resource policies and practices across all areas of APRA. This covers staff recruitment, remuneration and training. APRA has developed a recruitment and selection policy which applies to all staff. All appointments to APRA are based on merit, equity and procedural fairness. Positions are advertised externally where there is no identified qualified internal candidate. All new staff are subject to a probation period. Supervision and Policy staff are generally selected with relevant experience and qualifications in business, commerce, accounting, audit, risk management (particularly in the credit, market and operational area) and IT. New staff are expected to demonstrate competencies in teamwork, communication and business acumen. APRA also targets new university graduates with relevant qualifications in the areas of economics, commerce, accounting, actuarial studies, law and IT. The flexible remuneration arrangements (see below) with appropriate labour market relativity, is designed to attract high quality applicants. |
| Canada | A) Current rating of 4. Recruitment standards (e.g. policies and procedures) apply to all employees equally. Although requirements for experience, skills and competencies may vary somewhat between the areas that regulate banks versus insurance companies, there are more similarities than differences. OSFI has recently undertaken a competency development project, which entails articulating behavioural and technical competencies for all positions within the organization. Once complete, this information will be used to further enhance our recruitment practices and tools.<br>B) Future rating of 4 (no change). |
| Denmark | A) Current 4. B) Future 4. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 4. B) Future 4 |
| Korea | A) Current 4. The General Affairs Department of the integrated institution is in charge of recruitment of all staff members through a selection process on a yearly recruiting schedule. If necessary, each Department can also recruit staff members outside in specific fields.<br>B) Future 4. No change. |
| Norway | A) Current 4. B) Future 4. |
| Singapore | A) Current 4. B) Future 4. |
| Sweden | A) Current 1. B) Future 4. FSA has today no specific standards for recruitment. However, in our Quality Development Programme standards and policies will be formulated. |
| United Kingdom | All human resources policies and practices have been fully integrated for all of the staff of the FSA.<br>A) Current 4. B) Future 4. |
| Question#5 (b) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as:<br>(b) Formal training programs? |
| Australia | A) Current 4. B) Future 4. APRA has put in place professional and management development programs. The professional development program draws on APRA's internal expertise as well as external training programs. In the formative period of APRA, the focus has been on building up expertise by internal training courses given by staff experienced in each major supervisory area. This cross-skilling program has been designed and implemented by APRA staff skilled in the relevant areas, and covers each of the industry sectors supervised by APRA. Issues covered have included: detailed overviews of each industry, on- and off-site prudential supervision, approaches to market and credit risk management and overviews of prudential standards and relevant legislation. This approach outlined has been supported through external accredited training courses offered by universities and professional bodies. This has included organising specific industry |

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| | training courses through such bodies as the Securities Institute of Australia. Management development programs have also been a priority for APRA, and numerous short courses and professional qualifications are provided. Significant financial resources are allocated to these professional and management programs. With respect to formal accredited courses, APRA provides full financial reimbursement for approved courses and time off work to attend lectures and examinations. |
| Canada | A) Current rating of 2. Some degree of commonality has been achieved in the capital markets training such as foreign exchange and equity derivatives, however all other technical training has been predominately separate between banking and insurance, mainly resulting from the difference in their respective businesses. To date, all technical courses have been developed and delivered by outside consultants and agencies such as the Federal Reserve in Washington, Insurance Institute of Ontario, Canadian Insurance Accountants Association and the Life Insurance Institute of Canada. B) Future rating of 2. Moving forward, OSFI plans to develop an in-house case study training course on our supervisory methodology, which will be cross-functional. |
| Denmark | A) Current 2. B) Future 4. Are expected to be achieved from the beginning of 2001. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 4. B) Future 4. |
| Korea | A) Current 4. Diversified and sophisticated training programs, which cover all sectors including banking, securities, insurance, and other non-banking industries, are available in order to help staff members develop core skills and their own career paths. B) Future 4. No change |
| Norway | A) Current 4. B) Future 4. Kredittilsynet has some in-house training programs and supports external training. There is a high degree of flexibility with regard to the choice of training programs. These programs may be tailor-made to one or several persons, or one or several persons may attend external programs or courses. We do not differentiate between the sectors under supervision (i.e. staff would have the same opportunities, regardless of whether they work within the securities sector, the banking sector or the insurance sector). |
| Singapore | A) Current 3. B) Future 3. |
| Sweden | A) Current 4. B) Future 4. FSA has a training program for all newly employed and training programs related to specific areas. |
| United Kingdom | A) Current 4. B) Future 4. |
| Question#5 (c) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as:<br>(c) Other career development initiatives? |
| Australia | A) Current 4. B) Future 4. APRA actively encourages all staff to become members of professional associations, and fully reimburses the cost of professional membership fees. It is also considering secondments to financial institutions as a further means of developing expertise. The remuneration structure allows career progression either as a technical specialist or as a manager. |
| Canada | A) Current rating of 4. OSFI currently has a formal Career Management Program, which includes the annual recruitment of a small number of university graduates every year. These employees are offered accelerated training and development opportunities and given a variety of different assignments in different areas of the organization (including exposure to banking and insurance). B) Future rating of 4 (no change). |
| Denmark | A) Current 4. B) Future 4. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 4. B) Future 4. |

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| Korea | A) Current 4. We lack a clear-cut career path development system since the process of restructuring is at a relatively early stage. B) Future 4. An efficient career paths development system will be designed and implemented in the near future to produce more specialists in each area. |
| Norway | A) Current 4. B) Future 4. We also participate in staff exchange programs with other Nordic supervisory authorities and within the EEA. Employees may be granted leave of absence for further professional studies, for trainee periods elsewhere (including at the European Commission in Brussels). Several staff members have also been working for shorter or longer periods of time in a supervised financial institution in order to gain experience in particular areas that would be valuable for their duties at the supervisory authority. |
| Singapore | A) Current 4. B) Future 4. |
| Sweden | A) Current 3. B) Future 4. FSA has today offered job rotation and trainee possibilities at entities under supervision. In the ”New Supervision” we will focus on strategic competence development |
| United Kingdom | A) Current 4. B) Future 4. |
| Question#5 (d) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as: (d) Job (position) ratings? |
| Australia | A) Current 4. B) Future 4. The new structure is a broad-banded classification structure of five overlapping bands. Staff can progress within their classification band based on performance and development of skills. The broad performance requirements at each level are consistent across APRA. Positions are allocated within the bands having regard for qualifications and experience, market forces and balance between strategic and operational competencies... |
| Canada | A) Current rating of 4. All positions at OSFI are rated using the Hay job evaluation system which is based on four major factors i.e. know-how; problem solving; accountability and working conditions which ensures a high degree of commonality in how positions are rated. B) Future rating of 4 (no change). |
| Denmark | A) Current 4. B) Future 4. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 4. B) Future 4. |
| Korea | A) Current 3. The job (position) description and evaluation system based on performance is almost complete. B) Future 4. The new performance based evaluation system will be operational this year. |
| Norway | A) Current 4. B) Future 4. All employees undergo an annual assessment of their position, their functions and duties. The positions are "rated" and compensated accordingly. The rating and the compensation level are not confidential. |
| Singapore | A) Current 4. B) Future 4. |
| Sweden | A) Current 1. B) Future 1. FSA has no job rating system today and do not foresee any system in the future. |
| United Kingdom | A) Current 4. B) Future 4. |
| Question#5 (e) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as: (e) Compensation policies? |
| Australia | A) Current 4. B) Future 4. Staff are remunerated on a total cost to employer basis, comprising cash salary, superannuation (pension) and any other benefits (such as motor vehicles). There is an annual remuneration review which allows for increases based on employees increased value in their role. In addition, APRA has also introduced a performance-based bonus system, allowing staff to earn bonuses of up to 15 per cent each year for senior or middle levels, and up to 10 per cent for others. |

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| Canada | A) Current rating of 4. All of OSFI non-executive positions are unionised therefore terms and conditions related to compensation are for the most part dictated by a collective agreement that applies to employees who regulate banks and insurance companies equally. B) Future rating of 4 (no change). |
| Denmark | A) Current 4. B) Future 4. |
| Iceland | A) Current 4. B) Future 4. |
| Japan | A) Current 4. B) Future 4. |
| Korea | A) Current 4. Since the integration, the compensation structure of the upper rank staff members has been newly changed into merit system based. B) Future 4. After the establishment of the new evaluation system is completed, the FSS will apply the performance-based compensation system to an expanded base of employees. |
| Norway | A) Current 4. B) Future 4. The compensation policies are fair and based on different criteria, e.g. the annual assessment of the position, performance evaluation, and some degree of individual flexibility. (See also our answer above). |
| Singapore | A) Current 4. B) Future 4. |
| Sweden | A) Current 4. B) Future 4. FSA has a compensation policy document. |
| United Kingdom | A) Current 4. B) Future 4. |
| Question#5 (f) | What degree of commonality A) have you achieved, and B) do you expect to achieve in the foreseeable future, in personnel policies and practices in areas such as: (f) Others comments? |
| Australia | Work practices, allowances and other terms and conditions of employment have been standardised for all APRA staff consistent with contemporary Human Resource practices. Terms and conditions of employment have been implemented in the form of individual contracts for senior level staff, and Australian Workplace Agreements for all other levels. |
| Canada | |
| Denmark | No other comments. |
| Iceland | |
| Japan | |
| Korea | The FSS has achieved an unprecedented degree of equity and commonality in human resources management through the establishment and application of a uniform set of rules and principles. These common regulations supercede former personnel policies or practices of previously existing supervisory bodies in order to maximize fairness and equality at all of our institutions. |
| Norway | All employees of Kredittilsynet are also subject to common ethical standards and rules of conduct. |
| Singapore | MAS' personnel policies are applied uniformly across the organisation, regardless of whether the staff is involved in banking, insurance and securities supervision. The only area of difference is functional training programme, which caters to the varied skills and knowledge specific to the job scope. |
| Sweden | |
| United Kingdom | |

| Question#6 | General Comments? |
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| Australia | |
| Canada | Please see attached annexes. |
| Denmark | |
| Iceland | |
| Japan | |
| Korea | |
| Norway | The Act on Financing Activity and Financial Institutions (Financial Institutions Act) covers banks, finance companies, mortgage companies and insurance companies. Hence Insurance companies are included in our definition of financial institutions. The Securities Trading Act covers both investment firms and banks in their capacity as investment firms. The Act bears on banking activities in a number of contexts, including licensing, organization and prudential requirements. It also contains rules on employees' own account trading which apply to all types of financial institutions and investment firms. There are common regulations on Internal Control for commercial banks, saving banks, life insurance companies, non-life insurance companies, investment firms and investment funds. There are also common Money Laundering regulations. The follow-up of the financial institutions' preparedness for Year 2000 was coordinated in a common unit. The Y2K measures and reporting requirements were to a large extent similar. A "Financial Law Committee" has been set up by Parliament to analyze and further develop the legislation pertaining to the financial sector. The Committee has presented proposals regarding common laws and regulations for the whole financial sector, in order to achieve an even further degree of integration. |
| Singapore | |
| Sweden | |
| United Kingdom | |