



FINANCIAL SERVICES REGULATORY COMMISSION

CIRCULAR # 1 of 2022

To: All Financial Institutions
From: Financial Services Regulatory Commission
Date: January 3, 2022
Re: **Amendment to the Risk-based Supervision Framework**

DISCUSSION

In support of the Financial Services Regulatory Commission's (Commission) ongoing efforts to enhance the regulatory and supervisory platform, a comprehensive review was undertaken of the **Risk-Based Supervisory Framework** (RBS) manual that was originally implemented by the Commission in 2015. The primary objective of the review was to ensure a more uniformed platform exist in the development/planning of supervisory reviews across the Caribbean territories to bring the members territories further in line with international best practices.

Emanating from the review, financial institutions are hereby advised of the following changes to the RBS as implemented by the Commission:

- The rating categories for all risk factors including the overall risk of an institution were changed from a five-level assessment system to a **four-level assessment system**.
- The written findings to an institution following an onsite examination review will be in the form of a **Supervisory Letter**. This letter will include a statement of reliance, the findings, and the recommendations/directives, if any, emanating from the supervisory work. A summary of the risk assessment, financial highlights, other observations and suggestions, and a risk matrix will be included

in the *Supervisory Letter* as appendices. One of the primary advantages of using the Supervisory Letter is that it will allow for greater focus to be placed on the compliance issues rather than there being a repeat of facts already known to the institution.

- Internally the Commission will use **Standardized Risk Assessment Forms** when assessing each institution. The adoption of this approach will inter alia ensure the existence of a homogenous platform that is consistent with international best practices and it will also facilitate a structured record-keeping of risk assessments.

The updated **Risk-Based Supervisory Framework** can be found on the Commission's website: www.fsrb.gov.ag.

ENDS.