Hungary
Risk-based Pensions Supervision provides a structured approach focusing on identifying potential risks faced by pension funds and assessing the financial and operational factors in place to mitigate those risks. This process then allows the supervisory authority to direct its resources towards the issues and institutions which pose the greatest threat.

The IOPS Toolkit for Risk-based Pensions Supervisors provides a 5-module framework for pensions supervisors looking to apply a system of risk-based supervision. A web-based format allows: a flexible approach to providing updates and additions; users to download each module separately as required; and a portal offering users more detailed resources, case studies and guidance. The website is accessible at www.iopsweb.org/rbstoolkit.

This document contains the Hungarian Case Study.
HUNGARY

I. Background

A. Pension System

Private pension savings in Hungary consists of two main components:

- **The mandatory private pension savings system introduced in 1998**: Employees who were under the age of 35 at the time the new state system was introduced and older employees on a voluntary basis contribute 8% of their salary to private pension savings accounts managed by mandatory pension funds.

- **Voluntary pension funds**: Voluntary pension funds are popular in Hungary and cover approximately one-third of the labor force. These plans are defined contribution in nature, are fully funded and are independent of the state pension system.

Private pension funds managed assets of around 13.1% of GDP in 2009, while coverage in mandatory private pensions is around 60% of the active population.

B. Risk-based Supervisory Approach

An integrated financial supervisory authority - the Hungarian Financial Supervisory Authority, (HFSA) - was established in Hungary in 2000, covering banking, insurance, pension funds and capital markets. The move towards an integrated authority was mainly driven by the fact that around 80% of financial activity being overseen was being undertaken by financial conglomerates. It was felt that less regulatory arbitrage across sectors was possible within an integrated authority, that sector-wide and cross-sectoral risks could be better handled and that group supervision could be undertaken.

Partial elements of Risk-based Supervision (RBS) were adopted by the HFSA’s predecessor as prudential supervision began to gain ground. The HFSA have noted that it took time to build up capacity within the authority (e.g. to turn insurance supervisors into financial supervisors), and that IT systems also needed upgrading. After two years of operation of the IT-supported supervisory indicator system, the HFSA had built up a risk profile of each supervised institution. The system has, however, been calibrated regularly.

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1 This case study was taken from the ‘Risk-based Supervision Methodology of the Hungarian Financial Supervisory Authority’ - full report available in the members’ area of the IOPS website.
II. Risk-based Supervision Process

Figure 1. RBS Process

1. Risk Focus

*Supervisory Objectives*

The HFSA’s new risk-based approach requires risks to be interpreted in light of supervisory responsibilities – with the HFSA noting that the authority itself also takes risk and does not eliminate all potential threats. The requirements of the HFSA are set out in European Union and domestic regulation and in the supervisory goals, policy and strategy developed by the Organisation’s Board, including the following:

- ensuring the reliable, continuous and transparent operation of the financial markets;
- strengthening confidence in the financial markets;
- promoting the development of financial markets based on fair competition;
- protecting the legitimate interests of market participants;
- supporting the reduction of risks associated with consumer decisions by providing access to adequate information;
- actively participating in eliminating financial crime.

**Nature of Pension System**

The HFSA considers risks posed to its supervisory goals from both a ‘top down’ and ‘bottom up’ approach, looking at environmental and market factors in terms of industry and thematic risks, and a risks posed by specific institutions.

**Figure 2: HFSA The Risk Environment**

![Risk Environment Diagram]

**Risk Appetite**

The HFSA’s approach to risks and risk management is summarised in its *risk-taking policy*, which is approved by the Organisation’s Board, reviewed regularly and communicated within the organisation. The risk-taking policy summarises the risk-taking and risk management principles of the institution and sets out standard rules and risk management objectives applied. The policy also defines the HFSA’s risk appetite and continuously updates this based on a balance between its objectives and resources available.

The risk-taking policy is used for internal purposes and by external users. It communicates to market participants the HFSA’s expectations regarding the financial system, complying with the policy of transparent and accountable supervision and the HFSA objectives of strengthening confidence in markets and promoting market transparency. Internally it acts as a starting point for the risk taking policy. A short quarterly update version of the risk outlook (providing input into regular revisions and corrections of the HFSA’s risk taking policy) is published for internal users, summarising the current situation, recent developments, trends and outlooks, highlighting key risks and changes in risk priorities. It may also present the direction and extent of changes in alternative economic scenarios.
The HFSA make clear that they do not follow a zero risk policy. The risk appetite of the HFSA is determined by the balance between the social costs of market and institutional disturbances and the costs of supervision. The goal is to achieve the highest possible level of risk mitigation using available resources in order to accomplish HFSA goals. The HFSA’s Board determines the amount of risk to be taken by the organisation in two steps. First, they consider the environmental risks reported by analysts, selecting those which will have the strongest impact in the coming period and assign resources to the management of these risks. Next, a threshold (risk level) is set for each activity. The reaching of these thresholds triggers the allocation of resources. The HFSA notes that their risk appetite is constantly affected by environmental changes, and at set intervals (or during the year), it may be necessary to revise and update the risk appetite.

2. Risk Factors

A. Individual

Risk (R) is measured in terms of the impact (I) potential outcomes would have on specified targets (impact methodology), and the probability (P) of these outcomes occurring (institutional evaluation) - i.e. \( R = I \times P \)

In the course of an institution evaluation, the HFSA must assess the types and extent of risks run by the institution (inherent risks) together with the quality of risk management (risk control) and then determine net residual risk on that basis. The review of institutional risks and risk control must cover all significant activities and business units in respect of the size of risks taken by the institution or group of institutions, the quality of risk control, the reliability of administration and the quality of audits.

Each supervised institution has an ‘institution folder’. This is a system of tables and documents which capture the identification, evaluation and management of risks identified in relation to the institution. The folder consists of a set of interconnected tables and documents which either refer to or are embedded into each other (supported by IT processes and standardised calculation routines). Folders for institutions rated ‘Below Medium’ and ‘Weak’ in terms of impact contain limited data which is updated automatically.

Risks are broken down into four categories: Environment; Corporate Governance; Market Presence; and Business Protocol and Capital. These are broken down into 10 risk groups (sectors, exercising of ownership, strategy, products etc.) as follows:
Table 1: HFSA Risk Categories

<table>
<thead>
<tr>
<th>Environment</th>
<th>Corporate governance</th>
<th>Market presence</th>
<th>Business processes and</th>
<th>Summary rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exercising of ownership</td>
<td>Products</td>
<td>Financial and operational risks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal governance</td>
<td>Customers</td>
<td>Capital and ROE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal control system</td>
<td>Fraud management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Risk groups consist of risk elements. An example of the risk elements which make up the Strategy risk group, which is part of the Corporate Governance category, are shown below:

Figure 3: HFSA Risk elements- ‘Strategy’ risk group, ‘Corporate Governance’ category

Ratings for each segment are determined either by the supervisor covering the institution or are input by the specialist analysts (e.g. specialist analysts, market supervision and consumer protection staff, as well as those participating in the supervisory review and assessment process (SRP)). For example, analysts establish defaults for the Environment Sector on a quarterly basis, and recommendations for the Financial and Operating Risks and Capital and Earnings elements within the Business Protocol and Capital sector. The market and consumer protection specialists can provide recommendations for the Market Presence sector, or provide data and information for the supervisor to make their own opinion.

Input ratings of risks have 4 values: Low, Moderate, Significant, and High.
Other elements which form part of the institution’s folder include background data on the institution (including the impact and risk ratings, and background documents such as internal regulations and minutes), and information on what actions the supervisor has taken in relation to the institution in the past (supervisory program screen, actions page, follow up page, etc.). Threat cards and other messages provide information on the background environment (see below). The parameters page provides supervisors with details of the inputs which are set centrally.

### B. Systemic

The HFSA tries to ensure that top down and bottom up analysis should constantly interact - with entity level analysis throwing up issues which need to be considered on a sector wide basis, and thematic analysis pointing out risks which may need to be analysed further within entity specific investigations. The HFSA’s risk assessment system includes ‘threat cards’ showed on individual entity pages which are generated by macro and sector analysts.

The HFSA integrates both institutional and thematic analysis into their risk analysis framework. Thematic risks considered include political, regulatory and market/product changes. As with institution specific risks, these are considered/ranked in terms of importance/impact on the supervisor’s objectives. The HFSA usually tests and assesses thematic risks on a sample of institutions in order to draw conclusions for the universe of supervised entities. Depending on the results, further follow up investigations with a group of specific individual institutions then takes place. Thematic analysis is also fed into the organisation’s electronic, risk assessment system which provides a risk score for each supervised institution. Sector and thematic risk pages can be viewed by the supervisors overseeing a specific institution, with some risk categories (which feed into the overall result) scored centrally by sectoral analysts. In addition, analysis of the macroeconomic environment is used in the setting of the HFSA’s risk policy and risk appetite, including stress tests and scenario analysis.

The HFSA not only works from the ‘bottom up’ (i.e. looking at risks from individual institutions and building up a picture of risks to the entire financial system), but also operates a parallel, multi-step...
The HFSA seeks to identify and manage risks which occur at several institutions and have a material impact on markets – thereby spotting risks which can spread quickly. Again, the HFSA stresses that such thematic supervision is not designed to manage each and every threat and risk, but rather those that are material from the HFSA’s viewpoint, and which threaten their goals.

Thematic risks considered include developments in the domestic and EU political and regulatory environment as well as developments in markets, services and consumer behaviour.

Information suitable for the identification of thematic risks may come from several different sources, including:

- Findings of institution assessment
- Monitoring information and messages
- Trends revealed in customer complaints
- Consumer protection (monitoring of product and service advertisements, information from interest-protection organisations)
- Market supervision (market data)
- Signals from macroeconomic and sector analysts (monitoring and analysis of risk priorities, domestic and international trends and phenomena)
- Information from contact persons of the institutions with below average impact rating
- Information from trade associations
- Information from supervised institutions (e.g. requests for opinions)
- Information received from law enforcement and licensing
- Information received from domestic and foreign partner authorities
- Information forwarded by domestic and international working groups
- Other sources

Given the HFSA’s limited resources, the authority has to focus on the most significant risks. Every identified new risk and potential problem requires a brief preliminary examination to see if it may potentially jeopardise any HFSA goal, and if so, with what impact and probability. If an identified risk appears low compared with the HFSA’s risk appetite, it will not be dealt with – i.e. not every threat and risk is followed by a response from the HFSA. Identified consumer, market and sector level risks are ranked in comparison to the strategic objectives of the authority and by an impact-probability analysis.

Thematic risk is tested and assessed on a selected sample of institutions in order to draw conclusions valid for all market participants impacted by the problem and to establish general standards for managing risks.
In some cases the nature of the problem to be investigated does not lend itself or does not require such a filtering mechanism and all affected institutions have to be involved. In most cases, however, it is more efficient (i.e. requires less resources) to narrow the range of institutions examined.

Sample institutions are selected according to their size, market share, how representative the institution is, contribution to the balance of the sample, former investigations and general considerations of not burdening individual institutions too greatly.

The HFSA has a range of working methods to deal with thematic risks, including theme investigations, supervisory visits (theme discussion), extraordinary requests for data, theme analysis (of a particular topic), consultation with trade associations, consumer surveys or even test purchases. Though all of these mechanisms achieve the same purpose and work towards the same goal, they are different in terms of flexibility. The selection of the relevant tools is based on which is most suitable and reliable in terms of the nature and special features of the information required, the number of institutions involved and the resources required.

If important risks are revealed during the thematic analysis in regard to one or more institutions, the authority has to consider whether the matter should be taken up via the institutional analysis process, investigating the individual institution – i.e. work which starts as thematic investigations can lead to targeted investigations.

The results of thematic risk analysis are also fed into the process of identifying an individual institution’s risk profile in an innovative way. Specialist macroeconomic and sector analysts use a dedicated data entry platform in the risk assessment system. They provide ratings (on a four-element scale) and a brief written assessment for the sector-specific classifications within the Environmental risk category in a dedicated cell/window. Within the Financial and Operating Risk and Capital and Earnings risk groups which are part of the Business Process and Capital category, these specialist analysts add a rating proposal (and brief written assessment).

As in any other specialist area of the HFSA, analysts can generate threat cards on risk priorities, potential threats and risky events which they detect. These threat cards are displayed in the tables of all relevant institutions. When setting the range of audit priorities (activities, risks), the supervisor takes into consideration the threat cards generated by macro- and sector analysts. Supervisors can rely on their specialist knowledge and experience in deciding which threat cards should be taken into consideration upon the compilation of the risk assessment plan. Furthermore, supervisors must be given access to all macro-level and sector analyses within the database.

Given the majority of risks that threaten supervisory goals come from the macroeconomic environment, their examination serves as a starting point for sector and then institution level analysis. The purpose of macroeconomic analyses is to assess environmental risks, i.e. factors, processes and trends of the economic, economic policy, social, demographic, technological, political, legal, and regulatory environment in a forward-looking, risk-oriented manner. Through the examination of the macroeconomic environment, analysts try to detect external and environmental factors that influence supervised institutions, markets, consumers or products in a way that may impact the accomplishment of HFSA goals. Though focused mainly on domestic factors, a summary of international trends regarding financial products, services and markets, financial consumer habits and institutional risks can also be provided, especially in respect of innovations that are expected to appear on the Hungarian market as well. Stress tests for macro level analysis, as well as simpler, less formal sensitivity tests and scenarios analysis enables a more comprehensive picture of the potential emerging situation to be drawn up. Quarterly reports on
the macro-environment may contain analysis of potential changes in the key variables of specific scenarios and of the direction of these changes if any.

This top down analysis (including discussion of macroeconomic, sector-specific, product and consumer analyses) serves as the basis of the HFSA Board's identification of its risk priorities and risk appetite.

The top down, macro level analysis is also combined with sector level and institution level analysis – so that the three layers constantly interact and inform each other.

Macro-level sector analyses start with the examination of the macroeconomic environment and sector-level data. Their role is to analyse the characteristic trends of services, products, the sales methods of a specific sector (such as pension funds) and to identify threats and potential risks that may derive from an environmental or market event for the group of institutions concerned.

3. Risk Indicators

A. Quantitative

Probability and impact are estimated by experts, using quantitative measures where possible and their own qualitative expert judgement. Quantitative indicators come from comparative analysis of the data submitted by supervised institutions to the HFSA, and/or the processing of this data to identify unusual conditions. Mechanised processing of this regularly reported data allows the HFSA to monitor the operation of institutions, providing the following warnings:

- If data suggest a violation of legal provisions or an unusual change at the institution, the HFSA employees involved receive warning messages;
- Time series, cross sections and groups from the data and indicators are generated to assist analysts;
- Indicators are used for peer group analysis (hundreds of indicators can be generated which are suitable for benchmarking purposes, with properly selected benchmark indicators providing a great help to expert judgements).

B. Qualitative

A range of more qualitative indicators are also used by the HFSA including the following:
Table 2: Qualitative Risk Indicators used by HFSA

<table>
<thead>
<tr>
<th>Institutional Strategy</th>
<th>Availability of long-term strategic plans, quality of elaboration;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate structure, organisation</td>
<td>Completeness and quality of regulations.</td>
</tr>
<tr>
<td>Corporate governance structure, management and supervisory functions</td>
<td>Quality and level of elaboration reflected by the institution's planning processes;</td>
</tr>
<tr>
<td></td>
<td>Quality of management resulting from the structure and operation of management bodies;</td>
</tr>
<tr>
<td></td>
<td>Active participation of management bodies in the governance of the institution: regularity of sessions, quality of documents (minutes) etc.;</td>
</tr>
<tr>
<td></td>
<td>Quality of corporate culture embodied by management bodies (ethical, professional standards, working atmosphere, etc. social responsibility), management style of executives.</td>
</tr>
<tr>
<td>Publication and transparency</td>
<td>Quality and quantity of published information (compliance with legal requirements), level of acceptability reflected by external communication;</td>
</tr>
<tr>
<td></td>
<td>Quality of relations with the HFSA, auditors (other bodies).</td>
</tr>
<tr>
<td>Risk management system</td>
<td>Quality of systems developed for weighting / quantifying of identified risks;</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Quality of the planning system (is it risk-based and process-oriented?)</td>
</tr>
</tbody>
</table>

4. Risk Mitigants

Input ratings for controls also are divided into 4 categories: Strong, Adequate, Weak, and Insufficient.

For example, a risk control is rated Strong if:

- The institution’s operational management and organisation identify and properly keep under control all risks that qualify as material for the institution’s operation.

- Management takes part in and takes responsibility for the establishment and application of risk-taking policies and limits.

- The management body of the company understands and weighs the institution’s processes and environmental threats and decides on the risk policy and risk appetite accordingly.

- The management body monitors risk control methods and processes and requires operational management to report any extraordinary events.
• The development of the risk policy and the enforcement or risk-taking limits are supported by risk monitoring and reporting systems and a management information system which provides timely and sufficient accurate data on changes in circumstances and exposures so that the necessary decisions can be made before losses are suffered or aggravated.

• Control processes and procedures are aligned to the size of the institution and the complexity of its activities.

• Risk policies and procedures may not cover all possible scenarios, but these would be limited to a few cases that do not hazard the continuous business of the institution.

These input values are then aggregated (by way of a set calculation algorithm) to give an overall summary rating. 10 output values are possible as the input value set (Low, Moderate, Significant, High) are extended with (+) and (-) indicators to create the following series:

Low, Low (+), Moderate (-), Moderate, Moderate (+), Significant (-), Significant, Significant (+), High (-), High

5. Risk Weightings

The weight given to input ratings is set centrally. Part of the parameters are defined at HFSA level depending on the risk-taking policy and the risk appetite. Supervisors can view these parameters but cannot change them. These fixed parameters are: field weights used for the consolidation of risk groups; grade limits used for the generation of output values. The risk element and segment weights used for the aggregation of Financial and operational risks are set by the supervisor with a view to the institution’s risk profile. For example, a single unit of weight assigned to Low risk and Strong control; double weight is assigned to Moderate risk and Adequate control; Significant risk and Weak control receives triple weight; finally, quadruple weight is assigned to High risk and Insufficient control. The supervisor carries out assessment per risk segment for each risk element.

6. Probability

Under the HFSA model, there is no separate step for measuring probability. The probability measure is the result of the individual risk assessment (i.e. low, moderate, significant or high risk defining the probability of a problem occurring).

The core formula of risk-based supervision is also valid for risks that are subject to thematic supervision. The impact and probability measure carried out is, however, different, as the measurement of thematic risks is more complicated due to the complexity of the reviewed topics, which often involve multiple sectors and consumers. It is therefore impossible to set a pre-defined set of criteria for probability measurement. Impact and probability are difficult to separate and borderlines can often be blurred.

7. Impact

A filter is applied to select companies whose potential market failure would not have any significant impact on the HFSA’s goals. The filter uses company size, customer base and the value of managed assets and may also include other characteristics that are significant for supervision. The applied algorithms of the filter may differ from sector to sector.
Using the filter, institutions are assigned to different 4 groups (Weak 1, Below Medium 2, Above Medium 3, Strong 4) based on their impact on HFSA goals. For pension funds, regardless of size, mandatory pension funds have been assigned to the Strong impact category. For other types of funds, the size of membership and managed assets serves as the basis of the rating.

If the impact level is Above Medium or Strong, a detailed institution analysis is prepared and intensive institution supervision undertaken. If the level of impact is Below Medium or Weak simpler methods for supervision are applied.

The impact rating of individual institutions is performed once a year. Probability for smaller institutions is updated automatically on a quarterly basis as data is received. For institutions which are subject to an in-depth evaluation, a full analysis must be done at least every 3 years, though the probability and impact matrix is updated annually and the institutional assessment tables are never static, being adjusted constantly for changes in the external environment.

8. Quality Assurance

As described, some ratings within the system are set centrally.

<table>
<thead>
<tr>
<th>Table 3: HFSA Centrally Set System Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
</tr>
<tr>
<td><strong>Corporate Governance</strong></td>
</tr>
<tr>
<td><strong>Market Presence</strong></td>
</tr>
<tr>
<td><strong>Business Process and Capital</strong></td>
</tr>
</tbody>
</table>

The supervisor carries out assessment per risk segment for each risk element. Other elements which form part of the institution’s folder include background data on the institution (including the impact and risk ratings, and background documents such as internal regulations and minutes), and information on what actions the supervisor has taken in relation to the institution in the past (supervisory program screen, actions page, follow up page, etc.). Threat cards and other messages provide information on the background environment. The parameters page provides supervisors with details of the inputs which are set centrally.

9. Supervisory Response

The HFSA rates institutions in terms of impact and probability, placing them within the impact-probability matrix - from which follows the supervision matrix. Supervisory methods are assigned to each matrix level.

Levels of intensity of supervision include:

- **Monitoring**: processing of incoming data reports into a monitoring system without supervisor attention.
• **Standard supervision**: monitoring and keeping an eye on other incoming information concerned the institution (correspondence, minutes, requests for license/statement, press information) and quarterly review of the institution assessment table.

• **Close supervision**: Standard supervision and permanent contact and ongoing updating of the institution assessment table with received information.

Follow up activities involve:

• **Monitoring**: follow-up of potential necessary actions in the high-risk categories of weak and below medium institutions.

• **Intense monitoring**: monitoring of actions in the high-risk categories of strong and above medium institutions, preparation and implementation of the supervision program, regular information to management on actual status while monitoring compliance with legal provisions.

• **Immediate action**: if an emergency situation has occurred, immediate action is taken in each impact category.

Supervisory responses to thematic risk analysis can be divided into 2 groups:

1. **Tools that serve to influence and monitor the behaviour of consumers of financial services, groups of regulated institutions or the entire financial sector.**

   • Information of the public (announcements, publications)

   • Product information sheets, comparative information tables

      – The compilation of comparative product information sheets and condition lists and making them available to the public in a way that promotes consumer comprehension and decision-making.

   • Consumer training

      – Fostering the financial knowledge of consumers partly by long-term projects (improvement of general financial knowledge) and also in respect of specific risks and products (e.g. by advertisements of public interest).

   • Complaint handling

2. **Tools that serve to influence and monitor the behaviour of individual institutions.**

   • Recommendations

   • Communication of norms and expectations in order to raise industry standards and promote best practices (e.g. ethics, business conduct - pricing).

   • Statements of opinion
• Agreements (with trade associations and a group of service providers)

• Development of regulations, proposals on amending legal provisions: the rules set supervisory standards for the industry. Excessive regulation, however, increases the compliance burden of institutions and the monitoring burden of the HFSA, creates an overly limiting and bureaucratic environment. Therefore, the setting of new regulations should be preceded by cost-benefit assessments.

• Market monitoring: the monitoring of areas (specific markets, products etc.) and the analysis of developments which may provide information on risks that threaten HFSA goals the most.

• CEO circulars

• Information to a clearly defined set of individual institutions (participating in a specific thematic working) on progress, conclusions and HFSA expectations.

• Publication of analyses and studies prepared by the HFSA

• Cooperation with partner authorities

• Consulting with trade associations

• International activities: sharing of information with partner authorities about risks appearing in the respective home markets, communication between home-host supervisors in order to gain a better understanding of certain companies, markets and supervisory efforts, mutual sharing of supervisory experiences regarding best practices.

• Active media presence: active presence in the media may be necessary regarding certain topics so that the HFSA’s opinion or requirements reach as many consumers and sector players as possible simultaneously.

The results of the assessment and supervisory measures are not currently sent to the supervised institution (this may change in the future), but will be discussed with the institution if a request is received.
Table 4: HFSA Supervision Matrix

<table>
<thead>
<tr>
<th>STRONG IMPACT</th>
<th>ABOVE MEDIUM IMPACT</th>
<th>BELOW MEDIUM IMPACT</th>
<th>WEAK IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Close supervision</td>
<td>– Standard supervision</td>
<td>– Monitoring</td>
<td>– Monitoring</td>
</tr>
<tr>
<td>– Supervision program</td>
<td>– Supervision program</td>
<td>– Action upon breaching of laws, CEO letter</td>
<td>– Action upon breaching of laws, CEO letter</td>
</tr>
<tr>
<td>– Comprehensive institution assessment</td>
<td>– Simplified institution assessment</td>
<td>– Simple SREP</td>
<td>– Simple SREP</td>
</tr>
<tr>
<td>– Complex SREP</td>
<td>– Standard SREP</td>
<td>– Simple SREP</td>
<td>– Simple SREP</td>
</tr>
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<td>– Close supervision</td>
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<td>– Complex SREP</td>
<td>– Standard SREP</td>
<td>– Simple SREP</td>
<td>– Simple SREP</td>
</tr>
<tr>
<td>– Intense monitoring, Information to management</td>
<td>– Close supervision</td>
<td>– Standard supervision</td>
<td>– Close supervision</td>
</tr>
<tr>
<td>– Intense monitoring, Information to management</td>
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<td>– Simple SREP</td>
</tr>
<tr>
<td>– Complex SREP</td>
<td>– Follow-up</td>
<td>– Standard supervision</td>
<td>– Immediate action</td>
</tr>
<tr>
<td>– Intense monitoring, Information to management</td>
<td>– Information to management</td>
<td>– Action upon breaching of laws, CEO letter</td>
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<td>– Complex SREP</td>
<td>– Information to management</td>
<td>– Standard SREP</td>
<td>– Immediate action</td>
</tr>
<tr>
<td>– Intense monitoring, Information to management</td>
<td>– Information to management</td>
<td>– Follow-up</td>
<td>– Basic monitoring</td>
</tr>
</tbody>
</table>

LOW RISK | MODERATE RISK | SIGNIFICANT RISK | HIGH RISK | OCCURRED RISK
IOPS Toolkit for Risk-based Pensions Supervisors
www.iopsweb.org/rbstoolkit