Bogota DC, December 4, 2020

Looking ahead and preparing for a post-Covid world

Jorge Castaño Gutiérrez

Financial Superintendent of Colombia

CMF's Conference on Development and Financial Stability
Discussion Panel "Financial Stability in times of change"

There is clearly no room for complacency, but regulatory reforms have helped to cushion a shock of a magnitude never seen before

Main lessons learnt from this crisis

1. **Prudential regulation matters**
   We did not see a recurrence of the problems faced during the GFC.

2. **Avoid a one-size-fits-all approach**
   Design response strategies recognizing the local context.

3. **Adaptative/Pragmatic response**
   To adapt quickly to the dynamic nature of crisis situations as they develop.

4. **Strengthening operational resilience**
   To mitigate cyber incidents, technological failures, natural disasters or pandemics.

5. **The power of data**
   Traditional indicators are no longer informative.

6. **Ensure consumers are treated fairly**
   Effective market conduct supervision to maintain transparency and value proposition.

7. **Striking a balance between procyclicality and risk revelation**
   IFRS9 could trigger a sharp increase in Loan Loss reserves when a recession hits → Countercyclical buffers are deemed to be necessary.

8. **Heuristic approach for stress testing**
   "Black swan" events (large, unforeseen, random) are likely to occur.

9. **Supervision can be carried out remotely**
   The crisis has redefined the supervisory toolkit and what constitutes meaningful supervisory activities.

10. **Change catalyst**
    COVID-19 is likely to accelerate many of the trends which were already under way before the crisis.

11. **Institutional framework**
    Integrated supervision and increased cross-border coordination to avoid "turf wars", underlap and overlap.

The SFC has leveraged from its institutional framework to maximize the synergies needed to enhance our supervisory capacity during exogenous shocks

- Risk-Based Supervision.
- International standards (BCBS, IOSCO, IAIS, FSB, IOPS, FATF).
- Financial Stability, Consumer Protection, Market Integrity.
- Joint work across oversight functions.

2005

2016
Decree 184

The SFC's structure was modified

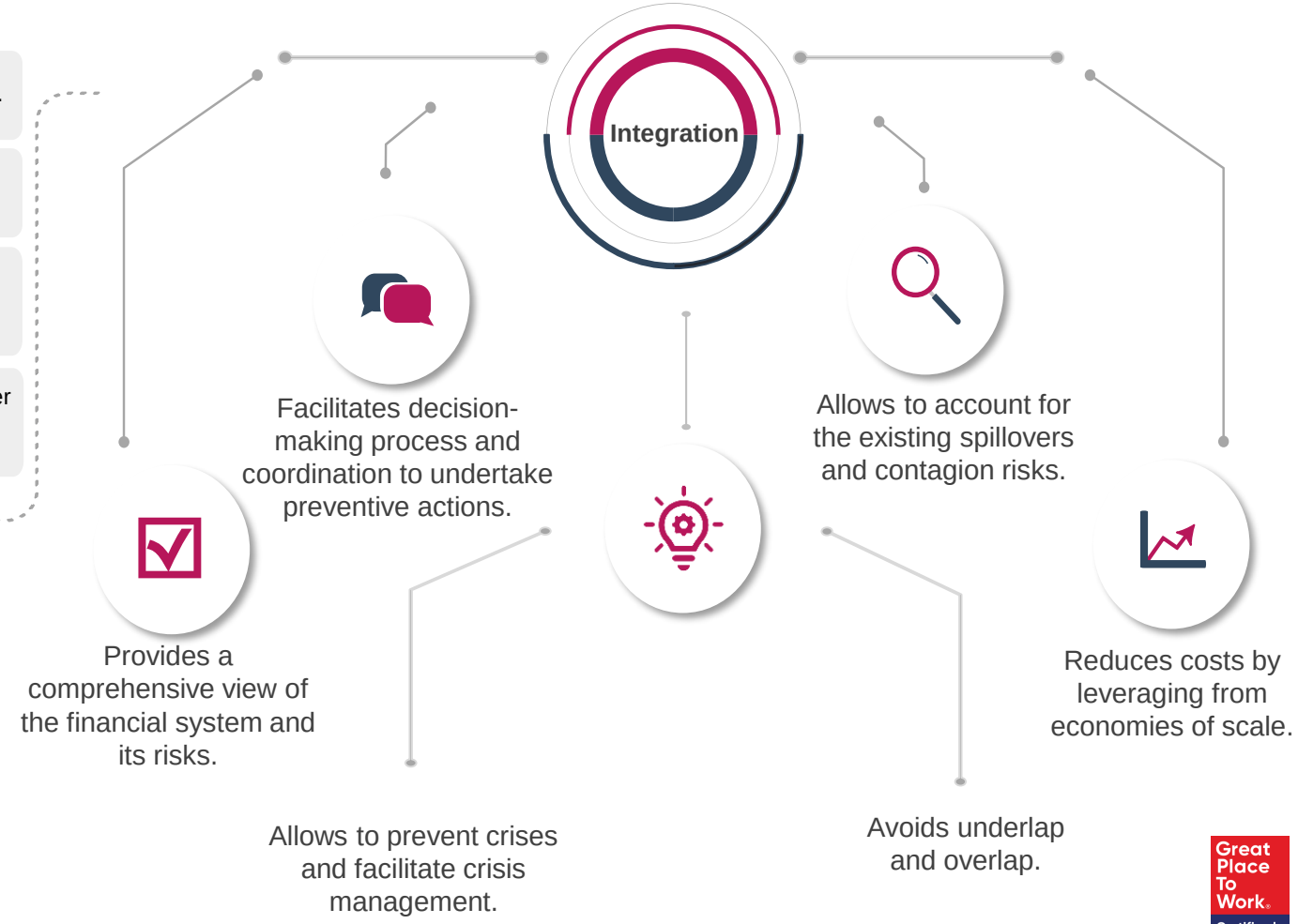
- Extensive use of Risk-Based Supervision.
- Comprehensive knowledge of significant activities.
- Identifying the risk profile of each institution and their inherent risks.
- Introduced a High-level division focused on consumer protection.

Decree 2399
To enhance supervisory capacity

- Analytics and Research.
- Fintech, Hub, Sandbox, Green Finance.
- Resolution group.
- Strengthening consumer protection (market conduct supervision).

2019

Law 1870 of 2017 came into force
Expanded the scope of Supervision to Financial Conglomerates (13).



We will likely need to show the same agility in devising a response that meets the demands of the new normal while building on the lessons learnt from this episode

Designing the new normal

- Strengthen prudential parameters avoiding procyclicality
- Promoting effective coordination
- Fostering financial inclusion
- Embracing innovation
- Meaningful supervision - Proportionality
- Leveling the playing field (Same activities same rules)

Digital Transformation

- 100% digital financial products and services.
- Open banking.
- More efficient payment systems.
- Greater digital coverage.

Information as value proposition

- Analytics.
- AI.
- BigData.
- Digital ethics - privacy and data ownership.

Behavioral and Flexible Models

- To model customer's responses under increased uncertainty.

Access to New Funding Sources

- Alternative financing (crowdfunding).
- Capital markets not only for big corporations but also for SMEs.

Climate and Social Risks

- Stress test.
- Risk management.
- Promote sustainable finance.

Great Place To Work. Certificado OCT 2020-SEP 2021 COL

sfc Superintendencia Financiera de Colombia

Download it to your device

#LaSuperSomosTodos

super@superfinanciera.gov.co
www.superfinanciera.gov.co

superfinanciera

superintendencia.financiera

@SFCsupervisor

/superfinancieracol