



Response to FSB's Consultative Document on Principles for an Effective Risk Appetite Framework

The comments below are the result from considerations of Svenska Aktuarieföreningens Finansiella Riskutskott (Financial Risk committee of the Swedish Actuarial Association).

Svenska Aktuarieföreningen welcomes the Financial Stability Board's consultation on Principles for an Effective Risk Appetite Framework. In particular we share the view that risk appetite framework should be forward looking, and subject to scenario and stress testing. Further we appreciate that it is also written which processes and models that are not included for the purpose of these Principles.

However, given that these principles are meant to be applied across different types of financial institutions, including (re)insurance undertakings, we are of the opinion that some of the recommendations go into too much detail.

It is noted that in a few places it is written what the Supervisors should do. Although these phrasings make sense as such it might be better to limit the Principles to what the firms should do to enhance supervisory oversight of firms.

2. Risk appetite statement

Section 2.1.c stipulates that a maximum level of risk should be determined for each material risk. This writing could inhibit a more holistic approach to risk management that could be preferred by for example traditional life insurers. It is therefore proposed to change the writing such that maximum level of risks could also be determined for a combination of risks and not necessarily for each single risk.

3. Risk limits

For clarity it is suggested to have 3.1.d as a separate section being:

3.2 Risk limits should not: be strictly based on comparison to peers; default to regulatory limits, be overly complicated, ambiguous, or subjective.

4. Roles and responsibilities

In this section the Principles goes much further than for example the Solvency II requirements in assigning specific responsibilities to for example the CFO. We are of the opinion that it should remain up to the individual firm to decide how tasks such as risk mitigation, the incorporation of risk appetite into decision making processes and capital management should be organized between the CEO, the CFO and the CRO.

In several circumstances, it is written that a certain task should be performed jointly by the CEO, the CFO and the CRO. This setup can lead to an unnecessary, and costly, duplication of key competences in different areas of the firm.

Regarding the roles and responsibilities for the board of directors, business line leaders and legal entity-level management and internal audit these are in general found to be appropriate. If anything 4.1.j could be deleted or at least rephrased as being unclear what is aimed for.

On Behalf of Svenska Aktuarieföreningen



Jan Åke Persson
Chairman