

## Report on Systemic Risk and Bank Supervision

### List of Recommendations

1. *Adopt financial stability as a central mission, on a par with price stability.*
2. *Build the intellectual and political case for systemic risk regulation.*
3. *Establish a new senior position of systemic risk advocate and dedicate resources from various areas of the bank in support of this position.*
4. *Collect and analyze cross-firm exposures and system-wide vulnerabilities that could affect a broad range of institutions and markets, through horizontal reviews and ad hoc task forces, so as to identify areas for in-depth examinations at individual banks.*
5. *Re-think risk-focused supervision to emphasize banks' strategies for making money and the largest potential risks these strategies are likely to imply. Think constantly about actions that could mitigate these specific risks.*
6. *Upgrade the seniority, training and resources of relationship managers and demand from them a more distanced, high-level and skeptical view of how their bank tries to make money and what distinctive risks this entails.*
7. *Refocus risk analytics on these major risks and the true effectiveness of banks' controls upon them. Strive for a better understanding of the aggregate level and trends in bank risk across the financial system.*
8. *Improve the interaction between Relationship Management and Risk Management by providing them with customized training in executive communications and conflict management.*
9. *Launch a sustained effort to overcome excessive risk-aversion and get people to speak up when they have concerns, disagreements or useful ideas. Encourage a culture of critical dialogue and continuous questioning.*
10. *Announce that improved communication across organizational lines is a centrally important need for recognizing and understanding emerging systemic issues and institute practices that encourage it.*
11. *Remember and repeat the factors in successful regulatory initiatives. Articulate the personal qualities and behaviors wanted in supervisors, repeat them frequently and use them in both hiring and personnel reviews.*