Supervision strategy 2018-2023

1. Responding to technological innovation
2. Fostering a forward-looking and sustainable sector
3. Taking a hard stance on financial and economic crime
Suptech beliefs at DNB

I. **Empower** an IOS to set, manage and track the digital agenda

II. **Develop** portals as a platform for digital supervision tooling

III. **Collaborate** in developing and implementing suptech strategies
Empower an **Innovation Office Supervision** to set, manage and track the digital agenda

- **Technology** is the key driver for change in the financial sector
- Enhance DNB’s **internal coordination** to become a Smart Supervisor in 2015
- The **innovation office supervision** reports directly to the Board
Develop portals as a platform for digital supervision tooling

1. **Portals provide easy access to relevant information**
   Supervisors can choose which suptech applications they want to see in their **home screen**.

2. **Portals are derived from the digital ambition**
   Multi-disciplinary, agile teams build suptech applications the users need. Portals are mutually **compatible** so that information flows easily from one portal to another.

3. **Portals require a data-driven culture**
   Suptech applications require a ‘**data first**’ culture. Supervisors are involved right from the start of the development to ensure that portals match user demands.
Collaborate in developing and implementing suptech strategies

- Technology companies (Bigtechs)
- Central Banks
- Government
- FinTechs and Startup scene
- Academics
- Consultants
- Students
- Tech nomads
- Commercial Institutions
- AFM
- NVB
- VVV
- PensioenFed.
What have we learned so far?

Getting the follow questions right is the key to success:

- What are your agencies’ (digital) supervision beliefs?
- How can you prioritize and implement digital supervision initiatives efficiently?
- What is the ‘supervision profit’ of your digital supervision strategy?
- How can partnerships fasten the realization of our digital supervision strategy?
Example 1: Machine learning in AML/CFT supervision

**Problem**
- Money transfer organizations under supervision have a high ML/TF risk profile
- Suspicious transfers depend on transaction and client profile and detected network

**Objective**
- Verify whether MTs check and report sufficiently on suspicious transfers

**Result**
- DNB detects unusual transfer patterns using supervised machine learning
- DNB finds more suspicious transfers combining multiple data sources
Example II: Real-time supervision: from collect to connect

Real-time supervision

- Continuous access to critical information of financial institutions
- Generate instantaneous alerts based on automated analysis
- Initiate supervision actions based on a judgment call of these alerts

Real-time supervision boosts efficiency and effectiveness:
- Allows supervisors to initiate and control reporting
- Identifies emerging risks more quickly
- Reduces regulatory arbitrage
- Increases time supervisors devote to judgement

Real-time supervision also comes with challenges:
- Computational constraints, black box nature, false signals
- Regulatory overreach and regulatory capture
- Moral hazard and gaming
- Op-risk and ethics, data security
- Regulatory feedback loop