DEEPER DIVE

APRIL 2026

SUPERVISORS ON SUPERVISION

FINAL REPORT

starlinginsights

APRIL 2026

SUPERVISORS ON SUPERVISION

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Opening Letter

A distinction may be drawn between matters we regard as problematic and those we call problems. The former are acknowledged as troublesome, perhaps persistently so, while tolerated as vague and resistant to disciplined treatment. The latter impose a different obligation: to define them clearly, examine them rigorously, and govern them with seriousness of intent. Problems are to be solved.

The risks that flow from organizational culture have long occupied the former category.

Too often, culture is treated as real, but soft; consequential, yet elusive; material in effect, yet insufficiently tractable to be an object of legitimate supervisory practice. It is treated as problematic. At the same time, firms and their leaders are expected to manage culture as though it were a problem already made fully legible — subject to accountability regimes, remediation expectations, and punitive sanctions when cultural weaknesses are thought to have contributed to risk management failures and other performance lapses.

That asymmetry has served neither supervisory legitimacy nor financial stability well. This report proceeds from the view that this is no longer tenable.

Since the Global Financial Crisis, conduct authorities have come to see culture as a root cause of persistent misconduct and the harms that flow from it. Prudential authorities, in turn, recognize culture as a contributor to control weaknesses, poor escalation practices, flawed decision-making, and operational failures capable of threatening institutional resilience and, in some cases, broader financial stability. In sum, culture is now recognized as being embedded in the patterns of thought and behavior through which risk is amplified or deferred, concealed or confronted.

The turmoil of 2023 sharpened the point. Post-mortem accounts did not merely raise questions about firms; they raised questions about supervision. Supervisory culture — its assumptions, incentives, confidence, and willingness to act — was repeatedly implicated in failures of oversight. Culture, in short, is not only a matter for the supervised; it is a matter also for supervisors.

That makes this study timely for more than one reason. Culture-driven weaknesses can threaten safety and soundness. They can impair the supervisory function. And the opportunity costs of poor culture — slower correction, weaker performance, impaired resilience, and avoidable frictions that hinder growth and competitiveness — are increasingly difficult to ignore. But there is a still broader point that must not be lost: supervision is an exercise of public authority, and where that authority cannot explain how it sees, judges, and acts, confidence in the supervisory enterprise erodes.

That question of legitimacy has become harder to avoid. The exercise of supervisory judgment is receiving sharper scrutiny from politicians, courts, investors, and the public. In that environment, authority cannot rest comfortably on mere intuition, generalized concern, or after-the-fact rationalizations. Where supervisory judgment is necessary, it must be exercised in ways that are intelligible, reviewable, and capable of being defended in data and due process. Otherwise, the exercise of supervisory discretion risks being seen — and rejected — as arbitrary.

Recognition of this challenge is not enough. Despite widening agreement that culture is a legitimate matter of interest in policy and practice, there has been no sufficiently concerted effort across jurisdictions to define the terms on which culture can be discussed as an object of governance and supervision. Definitions vary. Objectives are often under-specified. Methods remain uneven.

And where there is no common evidentiary basis, concern too easily drifts into anecdote, impression, or abstraction. Under those conditions, practical interests go unmeasured, and supervisory judgments become harder to explain, compare, and contest.

This report is offered in response to that gap.

Notably, it does not propose that culture be treated as an unbounded supervisory mandate. Nor does it imagine that culture can be reduced to a mechanistic score or supervised without judgment. The perspective it offers is narrower and more serious: if culture is to remain within the supervisory field of vision, supervisory engagement with it must become more intelligible and more evidence-led. Done right, this does not expand supervisory power. It disciplines it.

That discipline matters within firms, but it matters no less so within supervisory institutions. Public authorities cannot plausibly insist that firms build cultures that reward candor, protect dissent, and enable escalation, if they are unwilling to test themselves against similar expectations. The public sector, no less so than the private sector, must be prepared to show its work.

And we must recognize this as a global challenge. Fragmentation across jurisdictions raises costs, creates opportunities for arbitrage, and weakens confidence in the comparability of supervisory action. What is needed is not uniformity, but greater coherence: clearer terms, a more common evidentiary core, and stronger conditions for explanation and peer learning across borders.

This report should therefore be read neither as a brief for unchecked discretion nor as a demand for false precision. Rather, it calls for a dedicated effort to make a difficult domain more tractable: to define terms more clearly, to distinguish causes from symptoms more carefully, and to create conditions in which supervisory concerns can be explained, tested, compared, and ameliorated.

Authority in this domain will not be preserved by discretion unmoored from evidence. It will be preserved by demonstrating that supervisors can act under uncertainty in ways that are consistent, proportionate, explainable, effective, and fair. That is the work required if culture is to be treated not as a problematic abstraction, but as a tractable problem of governance and supervision.

Randal K. Quarles
Study Chair

Stephen J. Scott
Series Lead

Preamble

By: Tim Adams

The Institute of International Finance (IIF) congratulates Starling on developing this “Supervisors on Supervision” report. It is a timely contribution to the global policy dialogue and a positive step in positioning prudentially-relevant culture risk supervision (as well as supervisory culture) within the wider regulatory and supervisory modernization agenda.

Effective Supervision

The global banking system is materially stronger than it was before the Global Financial Crisis. Banks are better capitalized, more liquid, and more resilient to severe shocks. The primary policy objective today remains clear: preserve safety and soundness while ensuring that banks can continue to support growth, innovation, competitiveness, and the changing needs of the real economy. But the question remains whether today’s regulatory and supervisory framework is fully fit for purpose.

> **“It is inarguable that culture is relevant where it shapes prudential outcomes.**

Effective supervision remains a common interest and a shared responsibility of public authorities and supervised firms. IIF members generally value the external perspective supervisors bring through their oversight activities and have experienced benefits from thoughtful supervisory challenge. But continued supervisory effectiveness and efficiency cannot be assumed. The task before us is to modernize supervision so it operates in a clearer, more coherent, and more proportionate manner — more credible in practice, while remaining firmly anchored to prudential objectives.

Against that backdrop, any discussion of culture as a matter for prudential supervision should remain bounded, practical, and anchored to material risk. We appreciate, therefore, that throughout this important and comprehensive report, Starling discusses the future direction in culture risk governance and supervision precisely within such guardrails.

It is inarguable that culture is relevant where it shapes prudential outcomes. This should not be pointed to as forming a basis for open-ended supervisory expansion, however, nor for the gradual accretion of expectations through informal soft law or process-heavy overlays that outstrip legislative mandates.

A central lesson of our own recent work is that supervisory practices matter as much as written rules. In several jurisdictions, member institutions report far-reaching, yet opaque supervisory expectations, increasing exam intensity, and excessive focus on non-material issues, amidst a frustratingly limited ability to challenge supervisory findings before consequences harden.

When there is excessive supervisory discretion, it may lead to inconsistent outcomes across firms and jurisdictions, thereby weakening clarity and credibility.

This is not to push back against judgment-based supervision; it is to sound a call for circumscribed discretion in the exercise of such judgment, clearer rules of the road, greater transparency around methodologies, greater accountability, and more effective mechanisms by which firms may challenge supervisory approaches that appear to exceed permissible boundaries. It is noteworthy that these calls are echoed by supervisors themselves throughout Starling's study.

Fragmentation

Fragmentation is especially important for internationally active firms. Many IIF members operate across multiple jurisdictions and are subject to home and host supervisory engagement at the same time. Where authorities impose overlapping, duplicative, or potentially conflicting requirements, the result is higher operational cost, greater complexity, and, in some cases, inefficient deployment of resources meant to support effective risk governance.

Fragmentation of this kind weakens a level playing field, distorts incentives, and makes it harder for cross-border groups to manage risk on a genuinely consolidated basis. It can also contribute to the migration or structuring of activity in ways that do not necessarily improve prudential outcomes. In this context, supervisory approaches to culture should also be properly coordinated internationally and harmonized to the greatest extent possible. While specificities of local legal regimes should be properly recognized, excessive fragmentation in the way supervisors look at cultural and governance factors would be detrimental and should be avoided.

> **"Supervisory approaches to culture should be properly coordinated internationally.**

We must seek consistent implementation of global standards, transparent tailoring of supervisory expectations, and a disciplined process for explaining divergence from future standards where such is necessary. Home-host deference, mutual recognition of supervisory outcomes, and better coordination among authorities can reduce duplicative examinations and information requests while supporting efficiency and financial stability.

Looking Forward

A modernization agenda worthy of the name should take a hard look at overlaps, interactions, and unintended consequences across prudential requirements and supervisory practices, and it should ask whether marginal stability benefits remain commensurate with the cost and burden imposed.

Industry participation is essential if that modernization agenda is to be credible. Banks can contribute data, operational experience, and market insight that help policymakers identify what is working, where requirements interact and compound, and where reform would improve outcomes.

In that light, the public-private partnership contemplated in Starling's report is not ancillary to the policy agenda; it should form a central part of it.

Under the U.S. Presidency of the G20 in 2026, and the UK's in 2027, there is a timely opportunity to support a practical, time-limited, and action-oriented work program through existing international standard setters, with structured public-private participation. Such a work program should aim to develop common approaches to culture risk governance and supervision, sounder evidentiary principles, and support the establishment of a forum for continuing cross-border dialogue.

That would advance supervisory effectiveness without creating a sweeping new architecture, another layer of prescriptive rules, or burdensome capital requirements to offset a category of unpriced risk which is too often summarily dropped into the "culture" bucket.

High-quality supervision is a necessary public good, essential to safety and soundness, depositor protection, and financial stability. But supervision is most effective when it is risk-based, proportionate, explainable, and focused on the most material issues. Complexity, duplication, and process-heavy overlays are not safeguards in themselves. To the contrary, they can become vulnerabilities by raising burdens, diverting attention from genuine risk, weakening trust in the supervisory process, and encouraging activity to move toward less regulated or less transparent parts of the financial system.

"High-quality supervision is a necessary public good.

Starling's report is a valuable contribution to the global conversation on how to improve supervisory effectiveness and the broader objective of a resilient, competitive, and trusted financial system. That is the basis on which the Institute of International Finance is glad to contribute constructively to the next phases of this effort.

Tim Adams *is currently President and CEO of the IIF, where he is responsible for developing and executing the Institute's programs under the guidance of the Board of Directors. Prior to joining the IIF, Mr. Adams served as Managing Director of The Lindsey Group, an economic advisory firm based in Washington, DC. Previously, he served as Under Secretary of the Treasury for International Affairs. As Under Secretary, he was the Administration's point person on international financial issues.*

Stocktake Summary

Starling's "Supervisors on Supervision" *Deeper Dive* report series reflects collective perspectives gathered through a stocktaking exercise conducted among the global supervisory community over the course of 2025. Notably, this effort benefitted by the guidance and informed input provided by a remarkable leadership team, itself reflecting a mix of global perspectives. ▸ Appendix I

A Public Exposure Draft of the report, issued in November last year, drew on interviews and written contributions from senior current and former supervisors, central bankers, standard-setters, and other experienced official-sector participants across multiple jurisdictions. ▸ Appendix II Those perspectives were then refined through subsequent discussions of the stocktake's findings with industry stakeholders. ▸ Industry Reactions

That collective body of work has been assembled in a highly user-friendly format and made publicly available through Starling's peer knowledge exchange platform, Starling Insights. This Final Report summarizes the learnings collected. It identifies where supervisory consensus now exists, where important tensions remain, and what questions are yet unresolved.

The central conclusion of the "Supervisors on Supervision" study series is straightforward: the debate is no longer whether culture is a matter of supervisory significance — it clearly is. But this then poses an unavoidable set of intertwined questions: what, precisely, are supervisors trying to assess when considering matters of culture; how are their related judgments to be made more intelligible, evidence-led, fairly reviewable and contestable; and how must supervisory systems evolve if they are to retain legitimacy in today's hotly contested policy environment?

> "Culture is now broadly accepted as legitimate supervisory terrain.

Where supervisors broadly agree

Culture is now broadly accepted as legitimate supervisory terrain. Across jurisdictions, supervisors view culture not as a soft adjunct to prudential oversight, but as an upstream driver of prudential outcomes. They agree:

- **Culture problems ultimately materialize as financial risks.** Culture can undermine confidence, making it a prudential supervisory concern. Stocktake participants describe how reliance on formal governance and control processes, without accounting for cultural proclivities, leads to poor performance outcomes. In one stocktake participant's formulation, "culture is a prudential concern because confidence is a prudential asset."
- **Supervisory culture matters no less so than firm culture.** The stocktake surfaced the recurring view that cultural challenges — like delays in escalation, excessive proceduralism, weak internal challenge, and institutional hesitation — impair supervisory outcomes. Thus we must ask of supervisors the very same culture-related questions they ask of firms.

- **Rules regarding capital and liquidity are essential yet insufficient.** The stocktake revealed broad agreement that the bank failures and near-failures of 2023 exposed weaknesses that were not balance-sheet problems in the first instance. They were failures of governance and culture that eventually became confidence problems.

- **Effective oversight cannot be reduced to mechanistic rule-following.** Risks must often be addressed before becoming fully visible in financial metrics, which means the exercise of supervisory judgment will remain necessary. But supervisors accept that the exercise of such judgment must be better disciplined than it has often been in past practice.

- **Supervision must be reliable.** A strong theme running through the stocktake is that the next gains in resilience are more likely to come from improved supervisory effectiveness than from further accumulation of prescriptive rules. More robust supervisory frameworks can mitigate bank risks while keeping regulatory burdens within reasonable limits.

- **Meaningful learnings have been achieved.** But as many stocktake participants argue, we have yet to establish how these can be brought into mainstream practice. Supervisors have experimented with thematic reviews, behavioral science-led approaches, boardroom diagnostics, and novel supervisory technology tools. However, supervisors have not yet embedded subsequent learnings in new practices durably or coherently.

- **Coherence over conformity.** Legal systems differ, supervisory traditions differ, and stocktake participants broadly resisted the idea of a single global doctrine for culture supervision. The direction of travel instead aimed towards shared language, common evidentiary principles, and better horizontal peer comparison — not a one-size-fits-all model.

Where important tensions remain

The principal tension revealed through the stocktake concerns tractability. Supervisors agree that culture matters, but not yet how to define it with sufficient precision, how to distinguish culture from its proxies, or how to assess it without collapsing into false precision or genuine vagueness.

- **A first tension concerns scope**. Some prefer to focus on "risk culture" — the norms and behaviors that shape risk-taking and control effectiveness. Others argue that such a framing is too narrow and prefer to focus on "culture risk," because culture is seen to shape customer treatment, leadership behavior, business-model discipline, and the ability of institutions to preserve trust. Such continued definitional ambiguity is itself a supervisory risk.

- **A second tension concerns effectiveness and predictability.** Trust in supervisors depends on two demanding conditions being met: they must be effective in identifying and addressing risks in time to act, but so too must they act predictably. Supervisory actions should follow a modus operandi that firms understand and anticipate. But the first condition, efficacy, often requires taking action before risks are plainly visible, while the second, predictability, delimits opaque or impressionistic intervention.

- **A third tension concerns how judgment and discretion should be disciplined.** As posited above, the stocktake strongly rejects the idea that supervision can be fully codified. Nor can it remain weakly structured or effectively inscrutable and unchallengeable. This is where the strongest internal debate now sits; not whether the exercise of judgment should continue, but how it should be constrained, evidenced, communicated, and reviewed.
- **A fourth tension concerns evidence.** Supervisors and firms alike would benefit by a more common evidentiary basis for culture-related assessments, but there is no settled view on what that basis should be. Some emphasize behavioral indicators, escalation patterns, remediation timeliness, and risk governance or audit processes. Others caution that poor metrics or proxies produce a dangerously misleading illusion of rigor, while simply moving subjectivity into a more technical dialect.
- **A fifth tension concerns innovation.** There was wide support across the stocktake for better use of behavioral science, qualitative analytics, and supervisory technology. But there is also unease; new tools can sharpen supervisory judgment, but they can also outpace institutional capabilities, create privacy and explainability challenges, or tempt supervisors to overstate what the data can in fact support.
- **A sixth tension concerns institutional form.** Supervisors accept that culture-related work cannot remain a speech topic or a specialist niche. Yet there is no settled view on whether or how culture assessment might become a distinct supervisory capability, a more explicit element of governance and management review (e.g., in CAMELS ratings), or provide a cross-cutting lens embedded throughout the full scope of supervisory practice.
- **A seventh tension concerns ownership and boundaries.** There is broad agreement that boards and management own responsibility for the behavioral norms of the institutions they lead. Yet there is much less agreement on the boundary between culture as a management concern and culture as a supervisory concern. Supervisors must be able to challenge culture where it gives rise to prudential, conduct, or trust-related risks, without sliding into co-management or diluting firm responsibility.

Where efforts must now aim

If we are to address and overcome these tensions in a manner that is uniformly and sustainably accepted — among all stakeholders — stocktake participants agree we must look to the following:

- **Common Grammar:** What is the minimum common grammar necessary for discussion of culture in supervision? The stocktake found supervisors use the term ‘culture’ in uneven ways: sometimes to describe values and behaviors, sometimes risk appetite and control discipline, other times broader questions of governance and leadership. That mixed-use language undermines clarity, comparability, due process, and, thus, legitimacy.

- **Common Evidentiary Basis:** What evidence is sufficient to support supervisory concerns regarding culture before harm has crystallized? This is perhaps the central unresolved question. Supervisors know they must often act before the balance sheet tells the full story. Yet they do not have an agreed threshold at which qualitative concerns regarding culture become sufficiently grounded to warrant formal supervisory intervention.
- **Escalation Pathways:** How should supervisors move from findings to remediation? Formal frameworks are not sufficient without functioning feedback loops. Early warnings at Credit Suisse were surfaced, discussed, and acknowledged, for instance, yet escalation remained discretionary and time-indeterminate. The unresolved issue is how to build clearer, time-bound escalation pathways that convert concern into consequence.
- **Assigning Accountability:** Who owns culture? Supervisors emphasize the need for accountability, but there is no settled practice on how best to assign it: to boards, executives, committees, or control function owners.
- **Standards of Supervisory Practice:** What does 'good' look like? Some argue that supervisors must demonstrate that they engage with those whom they serve, make measurable positive impacts on behalf of those constituents, and hold themselves to the same standards they impose on firms. But stocktake responses also make clear that methods and metrics for assuring such supervisory efficacy and accountability remain underdeveloped.
- **Innovation and Experimentation:** How much imperfection should supervisory systems tolerate when trialing new methods? Several contributors emphasized that supervisors must experiment — accepting that not every effort will work as well as hoped. Yet supervisory institutions are often cautious by design and rarely rewarded for the error that may follow trial. How, then, to build a culture that supports responsible innovation?
- **Carrying this Work Forward:** Where to from here? The stocktake calls for a multi-stakeholder continuation of effort, but stops short of resolving whether the responsibility for such should sit principally with existing standard-setting bodies, or with some trusted intermediary able to convene a broader, public-private effort to carry this work forward.

Conclusion

Taken together, Starling's "Supervisors on Supervision" stocktake study and *Deeper Dive* report point to a global dialogue that has moved materially toward broad consensus on the relevance of culture to supervision, yet one that remains divided over method, evidence, scope, and institutional form.

But the remaining work will be more demanding than the threshold debate it has displaced.

Supervisors agree that culture affects prudential outcomes among firms; that supervisory culture affects supervisory outcomes; that rule-writing and capital provisions cannot compensate for governance and incentive failures, broken feedback loops, or myopic vision; and that these issues have moved too far into the supervisory mainstream to be left to languish in the 'too-hard basket.' The time for concerted collective action has come.

> **"Supervisors must be explicitly willing to examine their own cultures.**

The work ahead demands of us sharper language, better evidence, more explainable methods, and clearer remediation pathways. It requires a more coordinated international effort to move the field from experimentation towards institutionalization. And it demands that supervisors are explicitly willing to examine their own cultures as readily as those of the firms they oversee.

In that sense, the findings reported by Starling do not close the discussion; they establish the terms on which the next phase of work must proceed.

Industry Reactions

The issuance of a Public Exposure Draft of Starling's "Supervisors on Supervision" stocktake report, in November 2025, marked the opening of a 3-month Public Comment Period. We are pleased that the report elicited a more constructive and convergent set of industry responses than might once have been expected. Indeed, the constructive and convergent remarks offered by industry participants, in itself, represent a key finding of the study: private sector stakeholders are aligned with their official sector overseers in viewing culture as a critical interest.

None of the principal industry body submissions — from the Preamble to this Final Report offered by the Institute of International Finance (IIF), to comments received from the American Bankers Association (ABA), the Canadian Bankers Association (CBA), and the European Banking Federation (EBF) — seek to reopen the threshold debate over whether culture is rightly a supervisory concern. Each accepts that culture is relevant where it shapes governance, challenge, escalation, incentives, control effectiveness and, ultimately, prudential outcomes.

What these responses do seek, however, is to define the conditions of legitimate supervisory engagement in matters of culture, and they press the discussion forward from recognition toward regime. Taken together, the industry reactions move the conversation in three important directions:

- The CBA pushes the conversation from "if" to "how" culture is to be supervised.
- The ABA insists on boundaries, restraint, and reviewability in culture-related supervision.
- And the EBF introduces a more clinical conception of supervision altogether, emphasizing informed observation, experienced judgment, and the quality of supervisory practice.

Those differences in emphasis matter. But they should not obscure the more important point: the principal industry reactions do not reject culture as supervisory terrain. They insist, rather, that if culture is to be addressed credibly, it must be done in a manner that is bounded, practical, proportionate, evidence-led, and reviewable.

> **"Supervision of culture is part of a prudential supervisor's mandate.**
>
> Canadian Bankers Association

Where industry views broadly converge

The strongest common point among respondents to the stakeholder questionnaire Starling issued with the Public Exposure Draft of its study is that institutional culture matters. But, as the IIF argues plainly in the Preamble hereto, any discussion of culture as a matter for supervision must remain "bounded, practical, and anchored to material risk."

The CBA goes further, expressly stating that oversight of culture is part of a prudential supervisor's mandate. It describes culture as being "at the heart of how decisions are made within a financial institution and how risks are identified, managed in practice and escalated, as required." That is a significant acknowledgment — one that shifts the debate beyond threshold recognition and toward the design of workable supervisory methods.

> **Supervisors should not seek to prescribe a single 'right' culture.**

The ABA, while drawing a tighter boundary around supervisory scope, still accepts that institutional culture is an important component of risk governance. Its central distinction is especially useful: governance frameworks establish the "what" of risk management, while culture is part of the "how" — the behaviors that put governance into practice and make it effective.

That framing is a strong point of convergence across the full set of industry responses. The EBF arrives at a related conclusion through a different route, emphasizing that culture should be examined where it bears on risk awareness, decision-making, and the effectiveness of internal controls and lines of defense.

A second area of broad convergence is that supervisors should not seek to prescribe a single "right" culture. The CBA states plainly that supervisors should avoid labeling firms' cultures as "good" or "bad." The ABA warns that broader questions of brand, common values, reputation, and business priorities remain properly the responsibility of management. The EBF cautions that firm culture or values should not be judged as right or wrong by supervisors, but considered only insofar as they may translate into financial risk. This convergence establishes a shared legitimacy principle: supervision should be concerned with whether culture underpins or undermines prudent risk management, not with whether supervisors approve of a firm's identity, worldview, or style.

> **Judgment is unavoidable where supervisors must address risks before they are fully visible on the balance sheet.**

A third common point concerns supervisory method. All four industry body responses resist moves toward a freestanding, check-the-box culture regime. The ABA is especially direct in arguing that culture should not be separately examined through an isolated exam module but, rather, assessed through a review of material risks and the quality and consistency of risk management practices. The EBF reaches a similar conclusion, arguing that prescription of rule-based schemes or supervisory culture scores would likely miss the point. The CBA, for its part, supports a shift toward observable behaviors and decision-making throughputs, rather than an excessive reliance on formal inputs or retrospective outputs alone.

A fourth convergence point is the importance of evidence, explainability, and challenge. The industry bodies broadly accept that judgment is unavoidable where supervisors must address risks before they are fully visible on the balance sheet. What they reject, however, is discretion that is weakly structured, poorly explained, or effectively unreviewable. The CBA is explicit in welcoming the idea that supervisory discretion "must be disciplined," and interprets this to mean that expectations should be transparent, evidence-based, explainable, and reviewable. The IIF makes the same point in more general terms, calling for circumscribed discretion, clearer rules of the road, and more effective mechanisms through which firms can challenge supervisory approaches that appear to exceed permissible boundaries.

> "The industry is open to structured supervisory engagement with culture.

Finally, a fifth convergence point concerns the need to avoid fragmentation. For internationally active firms, overlapping and potentially conflicting home-host expectations would generate operational burden, confuse management, and weaken consistency in the supervisory process itself. The IIF and the CBA both call for coherence rather than uniformity. The EBF similarly stresses that close coordination across jurisdictions is necessary if disparate initiatives and unnecessary fragmentation are to be avoided. This is not a demand for a single global doctrine. It is a demand for sufficient common language, evidentiary principles, and supervisory guardrails so that culture-related work does not become a source of regulatory arbitrage or incoherence in its own right.

Where open debate remains

The main areas of debate concern scope, method, and institutional form.

On scope, the key question is how far prudentially relevant culture extends beyond narrow "risk culture." The ABA takes the most limited view, tying legitimate supervisory concern closely to the "how" of risk governance and to consequences directly related to material financial risk. The CBA takes a broader view, arguing that a more holistic account of culture is needed to understand how behaviors shape governance effectiveness and risk outcomes. The EBF, meanwhile, distinguishes between "risk culture," which it regards as measurable and grounded in existing international principles, and "culture risk," which it views as a vaguer and more ambiguous domain.

> "The main areas of debate concern scope, method, and institutional form.

On method, the CBA offers the most clearly developed supervisory-design response. It argues that the next phase of work should focus on misalignment between a firm's stated expectations and its observed behaviors and outcomes, and that such questions should be assessed using triangulated evidence. In effect, the CBA takes the discussion from whether culture matters to how culture can be assessed credibly. This suggests that the industry is open to structured supervisory engagement with culture, provided the analytical path from observation to judgment is sufficiently clear and challengeable.

The ABA's contribution is more about perimeter discipline. It insists that supervision of culture must remain tied to material risk and should not become a warrant for supervisory sprawl. In practical terms, this means no freestanding culture exam, no attempt by supervisors to define a firm's values for it, and no migration back toward reputation-risk supervision by another name. In this respect, the

ABA response is best read as establishing a set of conditions under which culture risk supervision will be accepted as legitimate.

The EBF introduces a more clinical conception of supervision. It argues that supervision of culture should depend less on rule-based scoring and more on informed observation, listening, and the experienced judgment of supervisors capable of understanding a bank's circumstances and patterns of behavior. In the EBF's view, evaluating culture risk is "more an art than a science." That does not amount to a rejection of evidentiary standards, however. It is a warning against forcing culture into blunt supervisory scores or cumbersome survey exercises that create burden without producing understanding.

> "These industry association submissions materially strengthen the next-phase in the supervisory agenda.

There is also an unresolved debate concerning the use of new tools. The CBA is open to behavioral science, qualitative analytics, and AI-assisted approaches, but only on the condition that such tools remain transparent and robust enough to withstand scrutiny. Without transparency and challenge rights, it warns, firms may be assessed through black-box processes that lack context or evidentiary maturity. The IIF sounds a parallel note, cautioning against process-heavy overlays and soft-law accretion. The EBF is more skeptical still, preferring that supervisors first make better use of existing tools and experienced observation before reaching too quickly for prescriptive or technology-heavy schemes.

A further area of debate concerns how far current supervisory frameworks already go. The EBF emphasizes that the international banking system proved resilient amidst the turmoil of 2023, and that the failures of a few institutions should not justify disproportionate new burdens across the sector. The IIF and ABA responses, though framed differently, carry a similar concern with burden, overreach, and the risks of accretion through supervision rather than legislated mandates.

What these responses add to the report

Taken together, these industry association submissions materially strengthen the next-phase in the supervisory modernization agenda by setting forth constructive design conditions.

- **The CBA presses for method:** clearer operational language, triangulated evidence, and disciplined discretion.
- **The ABA presses for restraint:** a tighter supervisory perimeter, principles-based guidance, and a reviewable path from concern to consequence.
- **The EBF presses for craftsmanship:** better use of existing tools, experienced observation, and contemplating supervision as a practical discipline rather than a scoring exercise.
- **The IIF presses for coherence across jurisdictions:** positing culture concerns within a supervisory framework centered on transparency, proportionality, and consistency.

Properly appreciated, this feedback helps to establish the constructive conditions by which culture risk supervision can be made operationally legitimate. It also serves to underscore that the next phase of work cannot be undertaken by supervisors alone. Public-private cooperation will be necessary, both to define the appropriate grammar of culture-related risk oversight, and to test the practical viability of the new tools, evidence trails, and review processes that may support it.

> **"The next phase of work cannot be undertaken by supervisors alone.**

Conclusion

In sum, the industry responses to Starling's study amount to a demand that aspirations towards culture-relevant supervision proceed under conditions of method, restraint, transparency, and institutional realism.

If the stocktake report establishes that culture now sits firmly within the supervisory field of vision, the industry responses clarify the terms on which that position can be operationalized credibly: sharper definitions, better evidence, more disciplined discretion, stronger challenge rights, a considered embrace of innovation, and sustained cross-border coordination.

In that sense, these submissions do not stand apart from the work of the report. They help define the conditions under which the next phase of that work can proceed with legitimacy intact.

Implications and Calls to Action

The "Supervisors on Supervision" stocktake, *Deeper Dive* report, and industry consultation all point toward a common conclusion: the next phase of this work should be framed not as an argument for supervisory expansion, but as a program of supervisory modernization.

Supervisors, firms, and industry bodies alike accept that culture is relevant where it shapes governance, challenge, escalation, incentives, and the effectiveness of risk management. The task now is to define how this shared interest is best progressed in operational terms. This has immediate implications for the G20 Finance Track.

> **"The next phase of this work should be framed as a program of supervisory modernization.**

If culture is prudentially relevant, and if supervisory culture itself materially affects supervisory outcomes, then the issue belongs within a practical agenda concerned with supervisory effectiveness, cross-border coherence, and the preservation of trust in the financial system.

Three implications stand out.

- **Effective supervision is an essential public good**. The issue at stake is not only whether firms manage culture-related risks well, but whether public authorities are equipped to identify and address emerging governance weaknesses early enough to prevent avoidable harm. When they fail, the costs are borne not only by firms and shareholders, but by depositors, counterparties, and the wider public.
- **Resilience must come from better supervision rather than fattening rulebooks**. Post-Crisis reforms materially strengthened capital and liquidity positions. But recent bank failures have nevertheless shown that capital cushioning can be undone by governance failures, broken feedback loops, and cultural drift. The next frontier is therefore the quality of supervisory judgment, the clarity of supervisory methods, and the reliability of timely corrective action.
- **Supervisory legitimacy depends on more exacting standards**. Supervisors must be able to act before risks are fully visible in financial metrics. That requires judgment. But if such is to be perceived as legitimate, it must be exercised through clearer terms of reference, with evidentiary support, transparent reasoning, and credible opportunities for challenge. The alternative is oscillation between competing accusations of delay and overreach.

A G20 Finance Track Agenda

The G20 is the appropriate forum through which to advance the supervisory modernization agenda called for by Starling's study. The central issues are cross-border in nature; the largest supervised firms are internationally active; and fragmentation in supervisory expectations imposes costs on firms while encouraging regulatory arbitrage, weakening peer comparability, and eroding trust in oversight systems. A G20-facing work program should therefore be explicitly designed to improve supervisory effectiveness without creating a new burdensome architecture.

Accordingly, finance ministers and central bank governors should pursue the following seven steps.

1. **Place supervisory effectiveness, legitimacy, and prudentially relevant culture on the formal agenda.** This is not a call for a broad new category of culture regulation. It is a call to strengthen how supervisors identify, interpret, and act on culture-related drivers of material risk, including within supervisory agencies themselves.
2. **Commission a time-limited public-private work program.** Supervisors cannot carry this work forward alone. A practical work program should bring together supervisors, firms, standard setters, academics, behavioral experts, and technologists in a structured process directed toward common methods rather than abstract principles.
3. **Develop a common operational language and minimum evidentiary standards.** Definitional drift is itself a supervisory problem. The first deliverable should therefore be a shared grammar, paired with minimum evidentiary principles that link supervisory concerns to observable behaviors, decision-making throughputs, and prudential outcomes.
4. **Advance structured discretion and challenge mechanisms.** The aim should not be to eliminate judgment; but to discipline it. Supervisory processes should make clearer what concerns are being raised, what evidence supports those concerns, how similar cases are treated similarly, and what forms of challenge are available before consequences harden. That is the path to supervisory discretion that operates both flexibly and legitimately.
5. **Move swiftly from findings to remediation.** A recurring lesson of recent failures is that early warning signs were often surfaced, discussed, and acknowledged without prompting timely remedial action. The next phase of reform should therefore focus on escalation ladders, time-bounded remediation pathways, clearer assignment of accountability, and more reliable closure discipline.
6. **Invest in supervisory capacity.** If culture is to remain within the supervisory field of vision, agencies must build and sustain the skills required to engage with it credibly. That includes stronger behavioral literacy, improved qualitative methods, better use of data and analytics, and attention to the cultures of supervisory bodies themselves.

7. **Designate a trusted convenor.** Continued collaboration will be needed between ministerial cycles. The next phase of work will require a trusted broker capable of convening and stewarding a public-private process, coordinating trial deployments of new methods and tools, consolidating and disseminating lessons-learned, reporting back with practical proposals, and establishing a new set of standard best practices.

To avoid drift, the work program called for here should be anchored to tangible outputs. At minimum, G20 ministers and governors should ask for: a concise statement of principles establishing the perimeter of prudentially relevant culture supervision; a common vocabulary distinguishing key terms; a methods note setting out evidentiary approaches and their limits; guidance on structured discretion, challenge, and review; a framework for accountability mapping and remediation pathways; and a supervisory modernization agenda that addresses training and capacity building, institutional memory, and the role of responsible innovation.

That work should be advanced through pilots and peer exchanges rather than abstract standard-setting alone. Supervisors need practical examples of what good looks like. Firms need confidence that experimentation does not imply unbounded supervisory accretion. A time-limited, action-oriented process can satisfy both requirements, provided that it is explicit about goals, realistic about limits, disciplined about outputs, and conducted through public-private partnership.

Conclusion

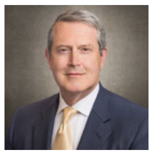
The policy implication of this report is not that G20 ministers and governors should endorse a universal supervisory doctrine for culture. It is that they should sponsor the conditions under which a more credible and coherent set of culture risk governance and supervisory practices can emerge.

The stocktake conducted and reported upon by Starling established that the threshold debate is behind us. The industry consultation that followed clarified the conditions under which progress will be regarded as legitimate — both by supervisors and the supervised.

The remaining task is therefore one of execution: to move from recognition to design, and from episodic concern to an organized program of work. The foundation for the G20 Finance Track to advance this agenda has been laid. What remains is a call for leadership.

Appendix I. Leadership Team

Study Chair



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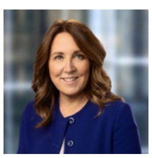
Chapter 1: Culture as a Supervisory Concern



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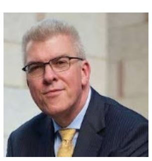

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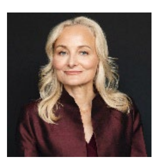

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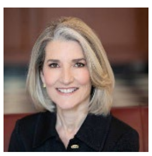

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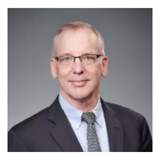

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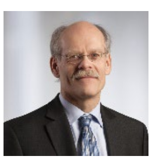

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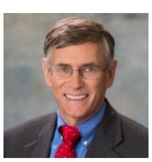

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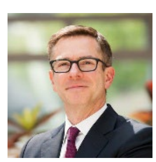

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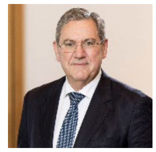

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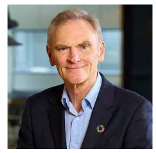

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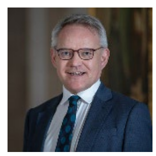

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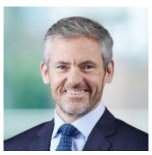

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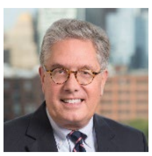

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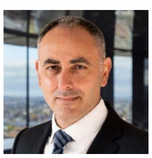

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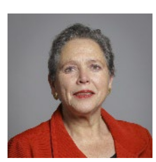

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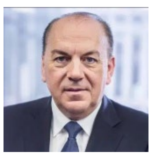

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