

Björk Sigurgísladóttir: Enhanced transparency and simplification – financial supervision in Iceland

Speech by Ms Björk Sigurgísladóttir, Deputy Governor for Financial Supervision of the Central Bank of Iceland, at the Financial Supervision Day, Reykjavik, 9 October 2025.

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Honoured guests:

I am delighted to see so many of you here today and welcome you to our inaugural Financial Supervision Day. As the moderator mentioned, the idea of finding a new forum to take the place of the erstwhile Financial Supervisory Authority's annual meetings has been under discussion for some time. With this event, we have created that forum – Financial Supervision Day – which I hope will become an annual event on the Central Bank's calendar.

In planning this event, we discussed whether we should find a catchy name for it – something that would pique the interest of a broad audience. But after considering a range of ideas, we decided that we couldn't come up with a better one than Financial Supervision Day, and that appears to have been good enough, given the number in attendance today.

In my address, I will discuss the changes that have taken place in the financial supervision architecture since the Central Bank and the Financial Supervisory Authority merged almost six years ago. I will also review our professional priorities and our execution of financial supervision and acquaint you with the work currently underway in the Central Bank as we seek out ways to simplify our supervisory activities – as regards execution, regulatory instruments under the auspices of the Central Bank, and reporting.

The merger of the Bank and the Financial Supervisory Authority was a massive undertaking, but also an important stage in the evolution of the Central Bank's activities. Four supervisory departments within the Financial Supervisory Authority were transferred unchanged to the Bank at the time of the merger. Three years later, those four departments were reorganised and condensed into two. Further changes were made earlier this year to the internal structure and distribution of tasks within the two departments. Among other things, liquidity monitoring was transferred from the Financial Stability Department to the Microprudential Supervision Department, and tasks relating to the drafting and implementation of rules were transferred from the General Secretariat to the Conduct Supervision Department. The On-Site Inspections Department was disbanded.

These changes, which were carried out in two phases, have now created a more or less final organisational structure for financial supervision within the Central Bank – for the time being, at least.

The key pillars of financial supervision are therefore within two departments – Conduct Supervision and Microprudential Supervision – which bear the main responsibility for ongoing supervision. Furthermore, the Bank's Financial Supervision Committee plays a

key role in larger decisions, including those relating to the imposition of administrative penalties and coercive measures. The Committee also has a policy-setting role. The Financial Supervision Committee has three external members: Erna Hjaltested, Gunnar Thór Pétursson, and Ragnheidur Elfa Thorsteinsdóttir. The internal members are Central Bank Governor Ásgeir Jónsson, who also serves as chair; Tómas Brynjólfsson, Deputy Governor for Financial Stability; and myself.

Others involved in various tasks relating to financial supervision, in addition to the supervisory departments and the Financial Supervision Committee, include the Governor, the General Secretariat, and myself. The internal structure of the Central Bank supports cooperation, oversight, and harmonised decision-making in matters relating to financial supervision. In my opinion, the changes made to the Bank's supervisory departments have delivered very good results. With departmental mergers and modifications to project structures, the Bank has enhanced the professionalism and efficiency of its operations.

Harmonised execution of financial supervision has been one of our key objectives. By placing microprudential supervision of all supervised entities under the auspices of a single department, we ensure that no matter whether the entities concerned are banks, insurance companies, pension funds, or fund managers, we will use a consistent approach while giving due consideration to each entity's unique characteristics.

Teamwork has grown stronger with the merger. Financial supervision requires expert knowledge encompassing many areas and multiple risk factors, which can be challenging for a small supervisory institution in a small market. By merging departments and empowering our risk experts, we have reduced key person risk without incurring additional expense.

At the same time, the financial market has evolved so that multiple types of supervised entities now operate within the same conglomeration. The change in the Bank's supervisory architecture has given us a better overview of the connections between companies and the risks within them, and we are convinced that this has delivered more targeted and efficient supervision.

We have also placed increased emphasis on knowledge. Transferring tasks relating to the drafting and implementation of rules from the General Secretariat to Conduct Supervision has enabled us to make direct use of that knowledge in the supervision process, and vice versa. Furthermore, a separate investigatory unit was established within the Conduct Supervision Department with the aim of enhancing specialisation and efficiency in the handling of matters relating to penalties.

The Central Bank sets a Supervisory Strategy covering a three-year horizon and reviews it annually. In formulating our supervisory priorities, we consider developments and risks in the financial market, regulatory and statutory amendments, and the priorities of the European supervisory authorities – the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA), and the Anti-Money Laundering Authority (AMLA).

This year, we also consulted supervised entities and asked for their assessment of current risks in the financial market. Over half of supervised entities participated in the survey, and it was gratifying to see the close alignment between their responses and those of Central Bank employees who were also invited to participate. Among other things, it emerged that resilience, cyber- and IT security, and governance practices were the topics that should be emphasised most strongly.

These priorities are reflected in the tasks included in the Bank's supervisory work schedule. We publish our supervisory priorities each year, and in 2025 we started using "Dear CEO" letters as a supervisory tool, where we outlined key priorities and tasks for the year.

Over the past five years, 155 regulatory instruments relating to the financial market have been incorporated into Icelandic law and a further 90 supervisory guidelines have taken effect, without repealing older instruments except to a limited extent. Naturally, this has added to the Central Bank's supervisory tasks. As a result, we have placed primary emphasis on raising awareness and providing information. We have added details about new legislation to the Bank's website, improved our FAQ page, and introduced regular seminars on new legislation.

To address the increased scope of our tasks, we have placed emphasis on greater efficiency in our work. We use a risk-based approach to all of our tasks and adhere to the principle of proportionality, thereby conducting our supervision with an eye to entities' size and scale insofar as is possible. We have also expanded our supervisory toolkit and categorised the tools we use based on their nature and use, so as to ensure that we apply them in a more targeted way.

We have recently stepped up our use of softer supervisory tools such as self-assessments, which have been well received. In addition, we have begun to use artificial intelligence to test new supervisory methods, and we can see that interesting opportunities lie in this area.

Simplification of financial supervision has been widely discussed. In Europe, the discussions have been linked to the continent's competitiveness. The Central Bank has participated actively in discussions of simplification through EBA, ESMA, and EIOPA and through Nordic cooperation. Last year, Nordic financial supervisory officials sent a joint letter to the chairpersons of the European supervisory authorities. The letter encouraged a move towards simpler and more risk-based rules while emphasising that simplification does not mean deregulation.

It is important to bear in mind that rules are adopted so as to ensure stability and trust, not to complicate operations. As European Central Bank Supervisory Board Chair Claudia Buch put it: *"Simplification means maintaining resilience with a more effective and efficient supervisory and regulatory framework; deregulation means weakening regulation and supervision at the expense of resilience."* (Claudia Buch, 2025)

A task force focused on simplifying the execution of financial supervision is currently working within the Central Bank. This group has placed emphasis on reporting, large supervisory tasks, and the regulatory framework for which the Bank is responsible. The

Bank conducted a survey among employees and supervised entities and received a large number of useful suggestions.

To follow up, the Bank will prepare an action plan based on the task force's recommendations. For example, the Bank has introduced discussions with the relevant banks at the final stage of the SREP, in order to enhance transparency and efficacy.

We have also simplified the processing of requests by assigning risk thresholds, thereby fostering quicker processing of smaller requests. A review of board members' fitness and proprietary assessments is underway, and we plan to expand our educational outreach to supervised entities' boards and hold annual seminars starting next spring.

As regards data collection, the Central Bank has been working on reforming its data administration and has developed a comprehensive data register that provides greater oversight and reduces the need for *ad hoc* data requests. Several data-reports have been discontinued, including loan portfolio reports (LPA), and a number of confirmational reports are set to be discontinued as well.

We are also reviewing our arrangements for *ad hoc* data requests so as to clarify the process and ensure better oversight within the Bank.

In addition, we have begun a review of all of the Bank's legacy supervisory guidelines. A large number will either be revoked or recast in a different and more appropriate form. The FAQ page on our website has been revised and updated and made more accessible.

And finally, I would like to mention that in an annex to the Government's fiscal budget proposal for 2026, it is stated that the Central Bank and the Ministry of Finance and Economic Affairs share responsibility for reviewing and amending the regulatory framework applying to financial institutions, with the aim of reducing complexity. We will continue to discuss our recommendations in this area with the Ministry.

Discourse about simplification is also linked to the concept of gold-plating, which Guðrún Finnborg Thórdardóttir, the Central Bank's project manager for implementation, will discuss in a moment. It is important that we all have a shared understanding of the term and of where the scope for simplification actually exists.

Honoured guests: Those of us here today perform various roles, and we do not always agree on how to achieve our objective, but I think we do agree on what that objective is: to promote a sound and reliable financial market.

I hope that our priorities for financial supervision – predictability, transparency, and increased educational and informational efforts – will be useful to you in your work. I look forward to the talks to be given today and participating in round table discussions, and I encourage you all to ask questions, engage in the discussion, and continue this important dialogue.

Thank you very much.