Regulate, Supervise, Oversee

Three Actors, Three Verbs, and the Gaps Between Them

BCBS · FSB · EBA · ECB · FINMA · Board Governance

Anwarul Hasan (MBA, PhD)
Founder & CEO · Risk Vizon LLC · Zurich, Switzerland
25+ years · UBS · KPMG · Swiss Re | anwarul.hasan@riskvizon.com

3
actors, not two
regulator · supervisor · board

17
governance verbs tested
one of them belongs to nobody

11
gaps in the delineation
defects in rules vs. in practice

0
need a new rule on banks
every remedy sits elsewhere

Sources: BCBS · FSB · EBA · ECB · BIS FSI · FINMASA · CRD/BRRD · FSMA · DGCL §141(a)

KEY TAKEAWAYS

- Who writes the rule never owns how it applies
- “Ensure” is a verb that belongs to nobody
- The worst gaps sit inside the supervisor

Regulate, Supervise, Oversee

Three Actors, Three Verbs, and the Gaps Between Them

By Anwarul Hasan (MBA, PhD)
Founder & CEO, Risk Vizon LLC · Zurich · August 2026

Almost every diagram of prudential governance has two columns. The firm sits on one side, the authority on the other. It is a useful picture, and it quietly merges two functions that live in different institutions, rest on different legal instruments, and fail in completely different ways. **The body that writes a rule is almost never accountable for what happens when that rule is applied** to a named firm on a particular Tuesday. Even where both functions sit under one roof — FINMA, the FCA, the OCC — they are discharged by different people, under different procedures, answerable to different constituencies. Draw the third column and a set of gaps appears that the two-column picture cannot show.

Three Actors, Not Two

The cleanest way to separate them is not by job title, which varies by jurisdiction and misleads, but by the instrument each one holds when it does not like the answer it is given. A regulator that dislikes an answer amends a rule for everybody. A supervisor that dislikes an answer issues an order to one firm. A board that dislikes an answer changes management. Three different powers — and none of them can be borrowed.

- **The regulator** asks “what must be true of every firm of this type?” It writes ex ante, class-wide and firm-blind. Nobody is named, and it carries no personal liability.
- **The supervisor** asks “is it actually true of *this* firm, today?” It licenses, inspects, imposes firm-specific capital add-ons and, ultimately, compels.
- **The board** asks “is this the institution we intend it to be, and is management delivering it?” It carries direct, individual, severe liability — disqualification, industry bans, the UK duty of responsibility.

Notice what only the middle column can do: **it can name a firm**. A regulator writes for a class; a board acts inside one institution. Only the supervisor can look at one named bank and compel a change on a deadline. That is why supervisory effectiveness — not rulebook length — is the load-bearing variable, and why a supervisor that hesitates to use its powers is a more serious problem than a rulebook that is a year out of date.

The Wrong Verb Claims a Power You Do Not Have

Governance documents use a dozen verbs as if they were interchangeable. They are not. Each verb encodes a specific degree of intrusion into someone else’s decision, and the wrong one either claims authority the speaker does not hold or quietly understates a duty they cannot avoid. Test seventeen of them against the power actually held and the results are uncomfortable.

Three that routinely go wrong

- **“Direct”** belongs to both — and that is the trap. In Delaware, a corporation is “managed by or under the direction of” its board: a freely chosen course. Under FSMA s.55L, a “direction” is a binding order that must be obeyed. Opposite in kind, identical in spelling.

© 2026 Risk Vizon LLC

- **“Approve”** means the board *owns* the decision. Supervisory approval or no-objection means permission was granted — explicitly not an endorsement of commercial merit, and never a transfer of accountability. Firms cite it as validation anyway. It will not carry that weight.
- **“Monitor”** is the lowest-intensity verb available: observation with no committed response. “The board will continue to monitor” commits nobody to anything and should be read as an open item, not a closed one.

Then there is the verb that provokes the sharpest disagreement of all: **“govern.”** When a regulator directs institutions to adopt a framework, is it not governing them indirectly? It is shaping their governance, certainly — but influence is not governance, and the test is not causal reach. It is who owns the consequence. A regulator writes a rule and bears no loss when the firm fails; the board carries personal, statutory liability it cannot delegate. Swiss company law makes the board’s ultimate direction non-transferable and inalienable — it cannot be handed to the supervisor, and the supervisor may not accept it. The proof is counterfactual: **if regulators governed, compliance would be a defence.** It never has been. A firm can satisfy every rule in the book and still have failed its governance duty.

And one verb belongs to **nobody at all**. Guidance repeatedly instructs that “the management body should ensure…” a given outcome. No actor can guarantee an outcome in a system with this much residual uncertainty. What the word creates is an implied absolute obligation with no stated discharge test — assessable only in hindsight, after a failure. Boards respond rationally by generating documentary volume instead of exercising judgment.

> *“The board will ensure no limit is breached” implies power over every trader in the firm. The board holds no such power. “The board will hold the CEO accountable for breaches, with a reporting deadline” describes a power it actually has — and can be tested afterwards.*

Six Words That Mean Two Opposite Things

Some words resist assignment because two actors already use them incompatibly. A **“supervisory board”** does not supervise: in two-tier jurisdictions it is an internal body performing *oversight*, which is why the EBA avoids the collision entirely by writing instead of the “management body in its supervisory function.” **Supervisors call themselves overseers**, borrowing the softer, persuasion-based word for a function that can withdraw a licence. And **“independent”** names three unrelated axes in the same architecture — independence from management, from government and industry, and from the first line. Three axes, one word.

None of this is pedantry. Ambiguity in the vocabulary becomes ambiguity in the accountability matrix: boards, supervisors and counsel routinely believe they have agreed something when they have not. The repair costs two words — never use one of these terms without naming its holder in the same phrase. “The board’s oversight.” “The supervisor’s direction.” “Independence from management.”

Underneath all six traps is one structural absence: **prudential regulation has never published a taxonomy of governance roles.** Every body keeps a fragment — the EBA splits the management body into its management and supervisory functions, the BCBS addresses board and senior management, the FSB allocates risk-appetite duties across four officers — and not one of them classifies regulator, supervisor and board together with the powers belonging to each. Industry fills the vacuum with house conventions, which is exactly how one word keeps two meanings.

© 2026 Risk Vizon LLC

The EU has already shown what the fix looks like, in a completely unrelated domain. When the question “what counts as a sustainable economic activity?” began costing real money, the answer was not exhortation but formal classification: Regulation (EU) 2020/852, with explicit conditions for membership of the class, activity-level screening criteria, a do-no-significant-harm boundary test, and enforcement through disclosure. That taxonomy says nothing whatever about governance roles — its *method* is the point. Name the classes, state the criteria, define the boundary, publish. Governance needs two axes rather than one, verb and holder, but the class list is short: three actors and about seventeen verbs.

Eleven Gaps — and the Worst Are Inside the Supervisor

Separating a gap in *regulation* — something no rule requires of anybody — from a gap in *practice*, where the rule exists and simply is not producing the behaviour it describes, matters because the two need different remedies. Conflating them is why post-crisis reviews so reliably conclude that more rules are needed. Work through the delineation and eleven gaps appear; the most consequential are not between the actors at all. They are inside the supervisor.

The eleven, in brief

- **1. Supervisory accountability asymmetry** *(regulation)* — boards face personal liability, disqualification and industry bans; supervisors are granted statutory immunity by design, and nothing replaces it.
- **2. The escalation gap** *(practice)* — supervisors hesitate to act formally for fear of legal challenge, and firms discount informal findings that carry no deadline.
- **3. No supervisory risk appetite framework** *(regulation)* — authorities require one of every firm they supervise, and overwhelmingly lack one themselves.
- **4. Nobody owns the rule-to-supervision feedback loop** *(regulation)* — no standard assigns responsibility for asking whether a rule proved supervisable in practice.
- **5. Standard-setters have no addressee and no remedy** *(regulation)* — BCBS and FSB text binds nobody until transposed, and the transposition delta is documented nowhere.
- **6. Nobody has both proximity and independence on culture** *(both)* — the board sits inside the culture, the supervisor outside it, and internal audit reports to the board.
- **7. “Ensure” without a discharge test** *(regulation)* — an absolute duty with no stated evidence that discharges it can only be assessed in hindsight, after a failure.
- **8. The floor becomes the ceiling** *(practice)* — firms optimise to the prescribed governance structure rather than to the purpose it was meant to serve.
- **9. Group versus entity** *(both)* — a subsidiary board owes duties to the subsidiary, consolidated supervision runs to the parent, and the host supervisor sees only a fragment.
- **10. The dual-role audit firm** *(both)* — in Switzerland the regulatory auditor is selected and paid by the audited institution while acting as the supervisor’s extended arm.
- **11. All three actors read downstream data** *(both)* — each layer is filtered by the one below and arrives on a reporting cycle rather than as events occur.

The first three carry the highest severity, and two of them compound each other. Supervisors hesitate to pursue formal action for fear of legal challenge, and firms discount informal findings that carry no deadline. Pablo Hernández de Cos, General Manager of the BIS, named it directly in May 2026:

© 2026 Risk Vizon LLC

without clear timelines or consequences, banks may view informal concerns as recommendations rather than matters warranting corrective action. Meanwhile BIS research by Monica Balan and Raihan Zamil finds that authorities — which require a risk appetite framework of every firm they supervise — overwhelmingly lack an explicit framework to define, manage and communicate their own tolerance for supervisory risk.

Read together, the chain is obvious. A supervisor with no documented risk appetite has no institutional basis for saying, in advance, that a given weakness exceeds the authority's tolerance. Facing a firm that will contest a formal measure, it is entirely rational to prefer an informal finding — which the firm then discounts precisely because it carries no deadline. The absence of the framework produces the reluctance, and the reluctance produces the delay. **Adding rules to the firm's rulebook does not touch either link in that chain.**

There is a structural asymmetry underneath all of this. Boards face personal, individual, statutory accountability. Supervisors are granted statutory immunity by design — BCBS Core Principle 2 requires it, and rightly so, because a supervisor afraid of personal liability supervises badly. But nothing replaces it. No mechanism holds an authority to account for diagnosing a weakness correctly and failing to escalate it, which is the single most documented supervisory failure mode there is.

Not One Remedy Requires a New Rule on Banks

That is the finding I did not expect. Match a remedy to each of the eleven gaps and none of them is a new prudential obligation on a firm, because none of the gaps is caused by a missing obligation on a firm.

- **Escalation:** every supervisory finding carries a date, an owner and a stated consequence for non-completion, or it is not issued. Existing powers; no rule change.
- **Supervisory risk appetite:** state the authority's tolerance in advance, translate it into indicators an examiner can apply, and subject its application to independent review inside the authority.
- **The "ensure" problem:** replace absolute verbs with a stated discharge test — what a board must have done for the duty to be met, independent of outcome. The highest-value drafting change available to a rule-maker.
- **Accountability for timeliness:** preserve individual immunity, but require authorities to publish the interval between first identifying a material weakness and first formal measure — and to explain the outliers.

Prescribe, Own, Verify, Compel

Reduced to its load-bearing elements, the architecture is four verbs in a fixed order. The regulator **prescribes** what must exist, class-wide and in advance. The board **owns** what is built above that floor — the strategy, the appetite, the appointments, the outcome. The supervisor **verifies** that substance matches structure and, where it does not, **compels** correction using powers no board holds. Every gap sits at a join between two of those verbs, and most sit at one join in particular: between *own* and *verify*, where a supervisor has seen something and has not yet made anything happen about it.

© 2026 Risk Vizon LLC

For boards, there is a less comfortable corollary. A board's entire arsenal is front-loaded. Appointment, approval and accountability all operate *before* the failure; at the point of non-viability the board simply loses control of the institution. Oversight that activates only in a crisis is not late oversight — it is no oversight.

> *"Every actor is working from a filtered, periodic account of a risk that does not move on a reporting cycle."*

Closing the vocabulary gaps and the framework gaps is necessary. But the gap still standing afterwards is the one between when a risk becomes real and when the people accountable for it find out — and that is the line worth taking to your next board meeting.

I would welcome your perspective — connect on LinkedIn or reach out at anwarul.hasan@riskvizon.com.

Read the complete White Paper:

"Regulate, Supervise, Oversee: Three Actors, Three Verbs, and the Gaps Between Them"

Available at: **www.riskvizon.com**

#BankingSupervision #CorporateGovernance #BoardGovernance #PrudentialRegulation #BCBS #FSB #ECB #FINMA #RiskGovernance #GRIP #RiskVizon

ABOUT THE AUTHOR

Anwarul Hasan (MBA, PhD) is the Founder and CEO of Risk Vizon LLC, Zurich. With 25+ years at UBS, KPMG and Swiss Re, he is the architect of **GRIP — the Governance & Risk Intelligence Platform**, designed to empower boards, regulators and executives to govern, monitor and steer enterprise risks in real time.

anwarul.hasan@riskvizon.com · www.riskvizon.com | © 2026 Risk Vizon LLC