

March 13, 2026

Stephen Scott, CEO
Starling Insights
e-mail: comments@starlingtrust.com

Re: CBA comments on Starling Insights' Supervisors on Supervision

Dear Mr. Scott,

The Canadian Bankers Association (CBA) members appreciate the opportunity to review and comment on Starling Insights' Deeper Dive Report – *Supervisors on Supervision*. We recognize the value of expanding supervisory oversight to include culture risk and agree that supervision of culture is part of a prudential supervisor's mandate. We believe that culture is at the heart of how decisions are made within a financial institution and how risks are identified, managed in practice and escalated, as required.

Given culture and purpose can vary by financial institution, the key focus should be the gap or misalignment between a financial institution's stated expectations and observed behaviours and outcomes, (i.e., culture risk), which can be assessed using multiple corroborating indicators. Supervisors should avoid prescribing any single 'right' culture and avoid labeling or describing 'good' and 'bad' culture. CBA members believe using principles-based expectations would allow financial institutions to adapt their business models and structures while still meeting supervisory intent.

The prudential relevance of culture is broader than 'risk culture' and a more holistic view of culture is necessary to understand how behaviours influence governance effectiveness and risk outcomes. Risk culture is viewed as a subset of culture risk and focused specifically on risk-taking and risk appetite. In our view, culture risk can be embedded within existing non-financial risk management frameworks and subject to oversight across the three lines of defense.

However, culture risk cannot always easily be directly observed or quantified. As a result, applying traditional risk governance rigor to culture is an evolving practice and an important area of continued development and assessment. Accordingly, assessments should rely on triangulated evidence including observed decision-making behaviour and throughputs (e.g., escalation, challenge and incentives), alongside relevant outcomes.

Behavioural Expectations

CBA members support the shift toward observable behaviours and decision-making throughputs, rather than just inputs (policies) or outputs (crises). That said, additional clarity on defining observable behaviours relevant to safety and soundness would be welcome. As stated above, we do not believe supervisors should set values or describe ‘good’ culture for a financial institution.

Culture and conduct are closely linked, with culture acting as a precursor to conduct. Conduct risk frameworks are generally mature and have been operationalized. It will be important to acknowledge that culture risk should complement rather than duplicate existing conduct risk frameworks.

We believe it is important to note that sub-cultures are inevitable in large, multinational organizations (across jurisdictions, business lines, and functions). While core values and expectations should remain consistent, local expression of culture is seen as unavoidable or sometimes even desirable. We believe this is an area that warrants further discussion and clarification by supervisors.

Culture Risk Management

Risk management, governance structures and performance can provide observable indicators about a financial institution’s culture. Robust governance structures, resilient systems and controls, and general client and employee well-being should result in positive outcomes that are indicative of a risk-aligned culture. Tone from the top is essential but insufficient on its own. There is also the need for enterprise-wide alignment, credible consequence management and clear links between behaviours and incentives, as this is what drives successful management of risk.

Standardization of Terms

We support Starling’s call for a “shared operational language” for culture and culture risk. A common vocabulary will enable comparison, clearer communication and avoid ‘moving target’ definitions as culture supervision evolves. This will allow for more transparent and clear expectations when identifying and remediating issues, both internally at financial institutions and with supervisors. In discussing definitions and scope of culture risk, questions can be raised on what falls within supervisory scope, broader culture, risk culture, conduct risk and functional or country-specific sub-cultures.

Fragmentation

Understanding the interplay between emerging global standards and existing national regulations or guidance, particularly regarding terminology and definitions of “culture risk”, will be critical. Key questions include how global standards will be integrated with current national requirements, how conflicts between differing standards will be resolved and which interpretations will take precedence in cases of disagreement. For instance, in Canada OSFI’s *Regulatory notice – Culture Risk*

Management provides specific definitions distinguishing “culture risk” from “risk culture”, highlighting the need for alignment between global frameworks and localized regulatory approaches.

Avoiding fragmentation of application in different jurisdictions is imperative, making how supervisory discretion is exercised particularly relevant for financial institutions operating internationally. Financial institutions operating internationally could be subject to multiple, inconsistent culture regimes which would increase regulatory burden and could create confusion. This reinforces the need for coordinated, international standard-setting and the objective of global coherence, not uniformity.

Supervisory Discretion

We support the evolution of a supervisory regime which enables financial institutions to identify and address potential concerns before they develop into systemic issues. We welcome Starling’s recognition that supervisory discretion “must be disciplined” and understand this to mean that expectations are transparent, evidence-based, explainable, and reviewable. This protects supervisory legitimacy and ensures that culture assessments do not become subjective.

The report emphasizes “structured discretion,” but does not detail what structure and what the review mechanisms or appeal or challenge processes would be. Further details would be helpful and could assuage concerns on how supervisors will ensure consistency across supervisory teams and jurisdictions. In summary, expectations should be scaled to the complexity and maturity of financial institutions and supervisors. Capabilities are being developed in this area, but tools and methods need time to mature before supervisors embed them in formal processes

Supervisory Tools

The report mentions that supervisors may use culture analytics or AI-based tools. New tools, including behavioural science and psychometric assessments are promising, though privacy, cost, data ethics and ROI concerns remain. The push for further use of technology, behavioural science, and SupTech must also take into account the time required to develop reliable behavioural diagnostics, network analysis, and consider possible impacts on and risks to other regulatory requirements.

CBA members, although supportive, emphasize that any tools used in supervision must be transparent and able to withstand scrutiny. AI and analytics-driven insights can be easily misunderstood or misapplied. Without transparency and challenge rights, financial institutions may risk being assessed based on models that lack context, maturity or evidentiary robustness. This could create inconsistent supervision, false positives and unnecessary supervisory intervention.

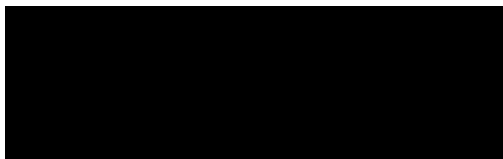
Ongoing Collaboration

We strongly support continuous collaboration between supervisors, industry and professional bodies. Sharing international perspectives, best practices, and lessons learned particularly from jurisdictions with more mature culture risk frameworks would be beneficial to all.

These public, private partnerships and collaborations can help identify new effective metrics that can be used by supervisors and financial institutions alike. This includes industry and supervisors jointly building the tools and frameworks needed. Culture supervision is new territory for everyone and collaboration increases quality, reduces burden, and supports legitimacy.

CBA members would be pleased to discuss our comments further at your convenience.

Sincerely,



cc: Ben Gully, OSFI