

A STUDY ON RISK BASED BANKING SUPERVISION

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Abstract

In this ever changing global financial environment, the risk supervision policy in banking has become the priority for financial supervising agency in every country. In the wake of global financial crisis and Eurozone crisis, a sound banking operation has become a challenging task. To devise an early warning system on banking operation risk, the supervisory agency in Taiwan started to implement a risk based evaluation on the banks in 2011. The goal was to calculate the probability for all possible scenarios and to efficiently distribute the available supervisory resources. In this study, an analytic hierarchy process (AHP) was performed to evaluate bank's operation risk rating in various stressed scenarios and to prioritize rating items, which would simplify the evaluation process for bank failure prevention.

Keyword : Analytic Hierarchy Process, Rating, Evaluation Weighting