

Minutes of the Consultative Panel meeting on 8 March 2006

Introduction

1. The Panel held an informal session to prepare the discussion on selected issues such as the implementation of the Capital Requirements Directive (the CRD).
2. The Panel Chair then welcomed the CEBS Chair Danièle Nouy to the meeting. The minutes of the last meeting were approved. The following members were present: Freddy Van den Spiegel (Chair), Hugo Banziger, Andrew Cross, Riccardo de Lisa, Richard Desmond, Richard Gossage, Carl-Johan Granvik, Siegfried Jaschinski, Benoît Jolivet, Christian Lajoie, José María Méndez, Herbert Pichler, João Salqueiro, Franco Spinelli and Klaus Willerslev-Olsen.

The CRD implementation

3. The Panel discussed the transposition of the CRD and **the role of CEBS' Supervisory Disclosure framework** in highlighting implementation issues. The Panel stressed the importance of transparency in disclosing all the national discretions and options as well as any capital requirements that would go beyond the CRD. This information should be included in the Supervisory Disclosure framework and the aim is to get the qualitative parts implemented by the year end 2006 and the statistical data in mid 2008.
4. The Chair of CEBS urged the banking industry to flag out possible differences or problems in implementation to bring them to the attention of CEBS. CEBS could use friendly pressure to iron out divergences. It was noted that the reporting frameworks (COREP and FINREP) will be added to the Supervisory Disclosure to monitor their national implementation.
5. The Panel proposed supervisors to organise **teleconferences on implementation issues**. This matter will be investigated by CEBS.
6. Panel members expressed their concern on CEBS' **draft guidelines on validation. The degree of detail and the extent of the paper were criticised**. It was noted that the validation guidelines should be more principle based and not to be used as a tick box exercise. CEBS was asked to give support and training to less sophisticated supervisors to assist them in their judgement. CEBS indicated that the common approach to validation is meant to be practical and pragmatic. CEBS has taken on board many of the comments included in responses received in the two consultations on

validation but it is likely that a gap between the final guidelines and the industry's requests will remain. This is a new area and CEBS cannot build on established supervisory practices, which is reflected in the degree of detail in the guidelines. Through time, as best practices emerge, CEBS will be able to rely on them and achieve convergence with more principles based guidance.

7. The Panel was briefed about **CEBS thinking on operational networks**. These networks of supervisors will play a key role in the practical work of implementing CEBS guidelines for cross-border groups. The work is just starting and the first task will be the identification of most important cross-border banking groups. CEBS Vice Chair Helmut Bauer will give a more detailed presentation on this issue in the next Panel meeting in Vienna.
8. CEBS work programme 2006 was discussed. The Panel asked CEBS to **concentrate fully on implementation issues** and not to initiate new areas of work until the CRD and the related guidelines have been implemented. The timelines for work on definition of own funds and large exposures were regarded as too tight. Serious doubts were expressed regarding the timing of possible review of liquidity rules; the Panel would delay the start of the process. The Panel asked CEBS to convey these messages to the Commission.
9. Technical work shops with Panel nominated experts were organised on risk buckets and validation. These meetings were regarded as very useful. CEBS **draft paper on stress testing was criticised**. It was said to be too theoretical without any practical value to institutions as it didn't reflect the best practices. The Panel proposed CEBS to make an entirely new draft for consultation. The Panel will submit a written note to CEBS meeting on 22 March. Another technical expert group meeting could be arranged around this issue depending on the outcome of the meeting.

Strategy issues

10. CEBS response to FSC report on financial supervision was discussed. The FSC is proposing new tools to enhance supervisory co-operation and convergence of practices. **The Panel encourages CEBS to take a positive stance on creation of mediation mechanisms and on delegation of tasks**. The Chair of CEBS said that CEBS is pleased with the final version of the FSC report and is already contributing to enhanced co-operation between supervisors and creating a common supervisory culture in Europe by initiating training programmes and exchanges of staff. Operational networks will contribute to delegation of tasks. Mediation mechanisms will be investigated as it is not quite clear what is the expected end result.
11. On the topic of **cross sector co-operation** between the level 3 committees the Panel insists that the work is organised in a well structured manner, because of a series of urgent issues (conglomerates, asset management, outsourcing etc.) Work on conglomerates should start immediately, even if the Commission's final decision of establishing a level 3 committee for conglomerates would be further delayed. The Panel noted that the the

Directive on financial conglomerates creates practical problems because of contradictions in different legal areas and the application of the Directive to minority shareholders is not feasible in some cases.

12. Renewal of Panel members was discussed. According to the Panel Charter 1/3 of CEBS nominated members should be changed or reappointed every year after two years of existence of the Panel. The first renewal takes place this year. The Panel agreed that the **renewal process should be based on natural rotation**. If this didn't lead to required number of changes a random ballot could be used.

13. The next meeting of the Consultative Panel will be held on 31 May 2006 in Vienna.