

Minutes of the Consultative Panel meeting on 31 May 2006 in Vienna

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) and operational networking initiative by CEBS.
2. The Panel Chair welcomed the CEBS Chair Danièle Nouy, Vice Chair Helmut Bauer, Bureau member Andreas Ittner and Secretary General Andrea Enria to the meeting. The following members of the Panel were present: Freddy Van den Spiegel (Chair), Andrew Cross, Riccardo de Lisa, Richard Desmond, Richard Gossage, Klaus-Dieter Kremkow (on behalf of Siegfried Jaschinski), Christian Lajoie, José Maria Méndez, Herbert Pichler and Klaus Willerslev-Olsen. The minutes of the last meeting were approved.

The CRD implementation

3. Helmut Bauer presented his initiative to develop operational networking and co-operation arrangements for cross-border groups. Operational networks of supervisors will play a key role in the practical work in application of CEBS guidelines in day-to-day supervisory practices. Panel members welcomed the aim to enhance convergence of practices and intensify cooperation among supervisors but it was noted that this initiative should not interfere with supervisory arrangements that presently are functioning well. The Panel was also concerned about the timing and possible impact on banks resources. Banks are working already at full capacity to implement the CRD. It was noted that CEBS should not only focus on large cross-border banks when adopting best practices.
4. Timeline for implementing the CRD and CEBS guidelines was discussed. CEBS was asked to update the implementation tables and improve the methodology. Some Panel members are concerned about the possible bottlenecks supervisors will face towards the end of the year when banks are sending in their applications for model approval.
5. The revised stress testing guidelines were discussed. The Panel acknowledged the improvements in the paper. CEBS was encouraged to involve industry experts early in the process when drafting future guidance. As a general remark it was noted that principles based guidance would be preferred instead of detailed rules based guidance. CEBS' Chair emphasised the concept of proportionality and informed that a seminar on proportionality issues was planned for January 2007.

6. The Panel was informed about the Quantitative Impact Study (QIS 5) that was conducted by Basel Committee and CEBS on the effects of new capital requirements. The reduction of capital levels are in line with expectations and the Panel doesn't expect any change in calibration.

General strategy issues

7. CEBS' reports on own funds and large exposures were discussed. For the first time supervisory approaches to own funds and large exposure rules have become transparent. The Panel reacted positively to making differences visible but cautioned CEBS not to start any new work on the definition of own funds before implementation of the CRD was finalised and not before the Basel Committee has taken a decision to review the regulation. There is a clear need for harmonisation and transparency should enhance convergence and consistency between supervisors.
8. The report on large exposure rules was welcomed and the Panel asked CEBS to clarify its position on large exposures review vs. consultation on concentration risk. Andrew Cross will draft a letter explaining the industry concerns related to large exposures and concentration risk rules and propose a way forward how these requirements should interact properly.
9. Future activities and priorities of the Panel were left for a written procedure as well as the proposed questionnaire on cross sectoral reporting requirements.
10. Finally it was noted that the renewal of members of the Panel has been concluded with enough rotation in the membership. The next meetings of the Panel will be held in London on 18 October 2006 and on 24 January 2007.