

January 2010

## **Minutes of the Consultative Panel meeting on 20 October 2009, in Athens**

### **Opening of the meeting**

1. The sixteenth meeting of the Consultative Panel (CPL) was held at National Bank of Greece (NBG) premises, Athens, Greece.
2. Mr. Giovanni Carosio, Chairman of CEBS<sup>1</sup>, and Mr. Freddy Van den Spiegel, Chair of the Consultative Panel, thanked Mr. Dimitrios Lefakis, (NBG), for the hospitality and the very well organised meeting.
3. Mr. Freddy van de Spiegel announced Mr. Hugo Banziger (Deutsch Bank) as new Chair of CEBS Consultative Panel and the need to revise the CPL Charter to allow for the appointment of a Vice Chair. In this context, Mr. Christian Lajoie (BNP Paribas) was announced as CPL Vice Chair. Due to Mr. Banziger's absence Mr. Christian Lajoie chaired the 16<sup>th</sup> meeting of the Consultative Panel (see also agenda item 7 iii). Panel members and CEBS thanked Mr. Freddy van de Spiegel for his continuous confidence and personal support in the function of the Panel.
4. Before opening the floor for discussion, CEBS Chairman stressed the challenging work of CEBS on new areas/products. Mr. Carosio also stated that CEBS looks for the right solutions and works under really tight timelines. The Consultative Panel is called to play an important role in this process and the 16<sup>th</sup> meeting of the CPL was considered as the right chance to identify the areas in which CPL contribution is essential.

### **Work programme 2010**

5. Mr. Giovanni Carosio presented CEBS's work in 2009 and its work programme for 2010, analysing especially the priority one issues:
  - a. Risk assessments and stress testing: CEBS was only recently mandated with the task of performing regular risk assessments (twice a year) and has already delivered its two reports (March and September 2009) to the EFC-FST. In 2010, CEBS will continue to deliver its risk assessments

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<sup>1</sup> Mr. Giovanni Carosio took up the chairmanship of CEBS starting from 1 September 2009 and succeeded Mrs. Kerstin af Jochnick who held the position since January 2008.

and its contributions will be of even greater importance once CEBS is transformed into European Banking Authority (EBA). Following the first EU wide stress testing exercise performed by CEBS in 2009, it is envisaged that a second exercise will be undertaken in 2010, taking into account the lessons learned and the experience drew. Mr Carosio also announced that CEBS had been requested to have this exercise linked to the gradual removal of governments' support and to banks' exit strategies (see also agenda item 4).

- b. Colleges of supervisors: This issue has been high in CEBS agenda since its inception. The financial crisis has stressed the importance of supervisory cooperation and information exchange and has asked for more tangible deliverables on this area. Thus, in 2009 CEBS has developed and successfully executed an action plan for the setting up of colleges for 36 large cross-border banking groups. In 2010, this plan is extended to include more cross border banking groups. In addition, CEBS's draft guidelines on the operational functioning of colleges have been published for a 3-month public consultation ([CP34](#)) and will be finalised in anticipation of the upcoming CRD changes in 2010. CEBS secretariat members are currently participating as observers in colleges meetings (this role to continue when CEBS transformed into EBA).
  - c. Institutional arrangements: Following the publication of the European Commission (Com) [legislative proposals on the European financial supervision](#) in September 2009, CEBS has started working to ensure its smooth transition to European Banking Authority. One of the challenging future tasks to be performed by EBA concerns the flow of micro-prudential information from EBA to the European Systemic Risk Board (ESRB). IT infrastructure to be developed and kept.
  - d. Common supervisory reporting: CEBS is steadily working on the introduction of a harmonised supervisory reporting for all EU banks by 2012. This issue is also linked to the need of developing and maintaining a centralised database.
  - e. Early intervention mechanisms: Mr. Carosio informed the Panel on COM's intention to publish its proposal for early intervention tools, bank resolution and insolvency proceedings. The Panel was also informed about CEBS intention to actively contribute in this area by submitting its response to COM's consultation paper. Further work is envisaged in 2010, while it was agreed that the Panel's contribution to this area should be further considered.
6. In general, Panel members agreed on CEBS work programme for 2010. They also stressed the need to mark all the CRD related issues as priority one topics and the need of conducting an Impact Assessment exercise on the proposed changes to the CRD. The Panel also expressed its concerns on the fragmentation of the European supervision/regulation that makes the development of a common rule book look quite challenging. Mr. Carosio underlined CEBS efforts to achieve a high degree of convergence, a task that was partially successful till now mostly due to the non-binding nature of CEBS products. However, this is expected to change in the future since EBA would develop draft binding technical standards

and propose them to the Commission; a fundamental difference vis-à-vis the current situation.

7. As a follow up it was concluded that two new Industry Expert Groups (IEG) would be established; one on the impact assessment framework and one on early intervention and bank resolution. It was agreed that CEBS will take the initiative for the establishment of these IEG (to be further discussed in February meeting).
8. Mr. Davide Alfonsi presented Intesa Sanpaolo's proposal on the establishment of an expert group with the aim to develop new backtesting methodologies for cyclical treatment. The paper was strongly supported by the Panel. It was agreed that Intesa Sanpaolo will take the lead and work further on its proposal by establishing a working group. Thus, Panel members interested to contribute in this work should contact Mr. Alfonsi. The outcome of this technical work should be presented and discussed in February meeting.

### **Agenda item 3 - Com's legislative proposals on European financial supervision**

9. Mr. Arnoud Vossen, Secretary General of CEBS, presented Com's proposals on the European financial supervision and the new tasks with which the future EBA will be mandated (i.e. developing draft binding technical standards, policy coordination – EBA to provide advice/opinion directly to Council/Parliament, EU wide stress testing on a regular basis, decisions directly applicable to financial institutions under situations of emergency – still vague who is going to decide on the determination of an emergency situation – COM?, ESRB?, CEBS?).
10. CEBS Consultative Panel will be transformed into the Banking Stakeholder Group (BSG) that would be consisted of 30 people - representing in balanced proportions Community credit and investment institutions, their employees as well as consumers and users of banking services. The BSG will act as the current Panel by submitting its opinion and advice to the EBA and on the EBA's work.
11. Panel members welcome the proposals and stressed the importance of a common EU rule book and the necessity of ensuring a confidential treatment of a banks' individual data within the EBA IT infrastructure. Mr. Vossen also stressed that the future information needs of the ESRB would be determined in close cooperation between the EBA and ESRB. Panel members supported the idea that the EBA should decide on the determination of the existence of an emergency situation.

### **Agenda item 4 – CEBS risk assessment and stress testing**

12. Mr. Giovanni Carosio presented the outcome of the stress testing exercise conducted by CEBS in cooperation with the European Commission and the European Central Bank (ECB). Given that an EU wide stress testing will be performed in 2010 (by using 2009 data), Mr. Carosio announced CEBS's work on a lessons-learned exercise from the first stress testing, which will also be used for the set-up and organization of the 2010 one. It is envisaged that the outcome of the second EU wide stress testing would be delivered to EU Institutions by summer 2010.

13. Some of the Panel members are not convinced about the necessity to perform the exercise again and raised their concerns as regards the communication of results that may hamper market confidence (in case the outcome of the exercise is not positive). They also stressed the importance of developing stress testing guidelines.

#### **Agenda item 5 – CEBS work on disclosure requirements: lessons learned from the financial crisis**

14. The paper ([CP30](#)) was welcomed by the Panel members who also highlighted the importance of keeping the right balance between the appropriate level of disclosures made and the effect these disclosures may have to market confidence. CEBS Chair clarified that this work targets on qualitative/focused disclosures. The Panel also mentioned the huge volumes of disclosures that are compulsory, which, given the workload it creates, could distract from providing more meaningful and focused disclosures. Also some members expressed their concerns as regards the different approaches from the BCBS and the IASB on IAS 39. However, it was clarified that CEBS proposals refer to the existing rules and are more generic; not directly linked to any accounting regime.

#### **Agenda item 6 (i) –CEBS work on Liquidity buffers**

15. Following the presentation of the paper ([CP28](#)) by Mr. Carosio, the Panel expressed its support to CEBS's work on this area. The settlement risk was also mentioned as a possible issue to be addressed, but the majority of Panel members didn't endorse this proposal. However, they underlined the importance of dealing with this risk under a different work stream.

#### **Agenda item 6(ii) – CEBS work on the extension of the supervisory disclosure framework**

16. Panel members welcome CEBS trials on the extension of the supervisory disclosure framework ([CP29](#)) that is regarded as an important tool to assess actual convergence. They also stressed the need to improve the disclosures made under the existing framework and emphasized the importance of data comparability. The Pillar 3 data and data on securitization transactions were explicitly mentioned as an important step to develop this framework further. Panel members also advised CEBS to follow its regular consultation process and to avoid one month consultation since this didn't allow enough time to the industry to comment. CEBS Chair mentioned that this point will be taken into account and encouraged the Panel members to send their responses even after the end of the consultation period.

#### **Agenda item 6 (iii) - CEBS work on hybrid capital instruments ([CP27](#))**

17. Panel members argued on the importance to keep a level of flexibility as regards the buy-backs and the need to let national supervisors to decide on a case by case basis. However, CEBS highlighted the importance to safeguard the permanence of capital and the risk of creating un-level playing fields if different approaches are adopted by national supervisors. Thus, a common and consistent approach as regards the definition of hybrid capital instruments is essential.

18. Mr. Carosio also mentioned that CEBS closely follows the Basel work on this area and that according to CRD II CEBS was expected to elaborate guidelines for the convergence of supervisory practices with regard to these instruments, already in 2009<sup>2</sup>.

#### **Agenda item 6(iv) – CEBS work on the revised large exposures regime**

19. Mr. Carosio informed the Panel about the end of the consultation on this area (CP26) and that the majority of comments received were related to interconnectedness and the “look through” approach; both issues have been adequately addressed within the paper. CEBS final guidelines are expected to be published in Dec 2009.

#### **Agenda item 6 (v) – CEBS advice on article 122a**

20. Mr Giovanni Carosio presented CEBS work that is actually the response to Com’s call for advice. CEBS hasn’t been mandated to perform a general analysis of the new CRD provisions, but to submit its advice on specific questions raised by the Commission. Some Panel members raised concerns as regards the hedging implications and the need to achieve a harmonised approach.

#### **Agenda item 7(i) – Information exchange between supervisory authorities**

21. The need of coordinated supervisory information exchange and communication within banking groups has been stressed. CEBS is currently working on guidelines for the operational functioning of colleges within which this issue is addressed. In addition, the EBA is to develop IT tools in the future that will facilitate information exchange in a timely and proper manner.

#### **Agenda item 7 (ii) – BNP Paribas presentation**

22. Mr. Christian Lajoie presented the BNP Paribas reflections on the main issues currently under review regarding prudential supervision. It was generally agreed that due to time constraints the whole proposal couldn’t be discussed in detail. However, some of the issues addressed could be possibly included for discussion in future Panel meetings.

#### **Agenda item 7(iii) – Update of CPL charter**

23. Panel members approved the revision of the Charter as discussed under item 1 of the agenda<sup>3</sup> to allow for the appointment of a Vice Chair.

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<sup>2</sup> CEBS’s guidelines on hybrid capital instruments were published in December 2009. Due to possible evolutions in the global regulatory framework with regard to the definition of capital instruments, CEBS is prepared to revisit its guidelines on hybrid capital instruments as far as necessary.

<sup>3</sup>The revised Charter is now uploaded on CEBS’ website (<http://www.cebs.org/Aboutus/Organisation/Consultative-Panel/The-Charter.aspx>).

### **Agenda item 7 (iv) – Rotation of CPL membership**

24. CEBS will launch the process as described in Panel's Charter. According to the Charter the new composition of the Panel should be approved by CEBS Bureau. It was agreed that the process should be finalised before the February meeting.

### **Agenda item 7 (v) – 2010 dates**

25. The meeting dates for 2010 have been now agreed and are published on CEBS's website under the following link: <http://www.c-ebs.org/Aboutus/Key-Dates/2010.aspx> (next meeting on 18 February 2010, at CEBS's premises, in London).

### **Participants**

26. The following members and observers of the Panel were present: Christian Lajoie, Freddy van den Spiegel, Herbert Pichler, Michel Bilger, Klaus-Dieter Kremkow, Siegfried Jaschinski, Demetrios Lefakis, Davide Alfonsi, Zygierewicz Mariusz, Nils-Frederik Nyblaeus, Andrew Cross, Stephen Sanders, Nicolas Jeanmart, Volker Heegemann, Walburga Hemetsberger, Wilfred Wilms