

Speech Guido Ravoet

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Ladies and Gentlemen, dear colleagues,

I would first of all like to thank CEBS for the invitation to speak at this prestigious forum. In fact, I am particularly pleased to be speaking on this forward-looking slot of “Future challenges” rather than in the panel relating to CEBS’ assessment. I would not have enjoyed “putting CEBS to trial” ... but seriously it would be unfair for a representative of the European Banking Federation to assess CEBS’ work already at this stage. Much work still has been done to put the right European supervisory environment in place and such work needs time to embed, we all recognise that.

Nevertheless, I will start with deadlines. I do acknowledge that with time CEBS’ guidelines will deliver; this however does not mean that the time at our disposal is unlimited. The EBF invites CEBS to commit itself to achieving substantial progress towards developing a true European supervisory culture by a given and explicit date. The EBF suggests 31st of December 2007 as a deadline. I know that this is short but I am convinced that if CEBS is not successful in defining a truly common approach to prudential supervision rapidly, then I am afraid swift measures will have to be considered to make the current European supervisory framework more efficient.

Let's also look at the future within a global context. Of course our emphasis here, at a CEBS' conference, is on the EU context. But we also need to be mindful of the wider global context. The future challenges for CEBS need to be put in the right perspective, at a time when financial markets have become increasingly global. The international dimension of CEBS' work is therefore essential.

First of all, European banks are competing with banks from other regions of the world. It is of paramount importance that our European supervisory landscape does not put our banks at a competitive disadvantage. Therefore, promoting their competitive situation should be our primary objective and should guide initiatives taken in Europe.

We would particularly like European authorities – including CEBS – to be more active in convincing regulators from non-EU countries – and specifically non G-10 countries - to implement Basel II in a fair way, according to its spirit, and not to protect local banks.

Secondly, I wish to highlight the importance of the international dimension of banking activities. Global banks are looking for global rules. One of the benefits of global rules is that they bypass the fragmentation of regulatory frameworks in the various regions. Global rules also allow to minimize opportunities for regulatory arbitrage.

Therefore, the dialogue between supervisors at international level is of vital importance.

Central to this is the question of the relationship between home and host supervisors. CEBS has produced interesting guidelines on the interaction between home and host supervisors in a European context. I would like to see more coherence of this type on a global level.

In this context, I would like to encourage CEBS' members to explore the possibility of mutual recognition of home country supervision between EU supervisors and their counterparts with equivalent supervisory approaches and standards – in particular in Switzerland, the US, Canada, Japan and Australia.

Finally, under this same point about the competitive position of European banks, I would like to stress that a lack of supervisory coordination at a global level, notwithstanding the work of the Accord Implementation Group of the Basel Committee, could lead to serious difficulties for international banking groups.

I would particularly insist on the fact that European banking supervisors should accept that they need to develop their future work on the regulatory framework as much as possible in close coordination with the Basel Committee's work. For instance, it would be particularly useful if European supervisors could encourage the Basel Committee to speed up its work in the area of liquidity risk and convince it to focus primarily on the supervision of funding risk in a first stage.

Another challenge is that when discussing the future supervisory architecture within the EU, the focus should be on further developing the Consolidated Supervisor Concept.

The European Banking Federation prefers the “consolidated supervisor concept” to the notion of lead supervisor because the latter gives the impression that all supervisory functions should be centralised in the hands of one single supervisor.

The EBF would indeed agree that the home supervisor should be attributed a predominant role in the colleges of supervisors. Every ship needs a captain. And so do colleges of supervisors. Someone should chase the process, feel responsible for the proper functioning of the college, propose solutions when opinions are diverging, etc. It should, therefore, be accepted that the home supervisor of the parent bank be given this responsibility.

The key is, however, that it would not be appropriate to operate a division and allocation of tasks and responsibilities on the basis of a set formula. I believe that experience gained by supervisors in the meantime within various colleges of supervisors confirms this. Besides, we all know that each bank is organized and structured differently. One single solution applicable to each and every bank would probably not suffice.

That is the reason why we, at the EBF, so strongly believe in the crucial input which colleges of supervisors may be able to provide. On

the condition, however, that all supervisors involved accept that they should act as one.

Let me now look at smaller, less sophisticated banks.

The emphasis put on the situation of large, cross-border banks is entirely justified as these banks represent a substantial market share in Europe. This does not mean that the situation of other banks should be overlooked.

Less sophisticated banks have expressed their concerns about the current regulatory framework during a workshop which took place at the beginning of this year and which was organized by the 3 European Credit Sector Associations at the instigation of CEBS. The complexity of the regulatory framework and the huge administrative burden which it entails make life extremely difficult for them. There is a need for flexibility to address these concerns, a need for a “light” approach. They need to be treated differently compared to banks which are integrated in larger structures.

One possible way forward might be to envisage issuing specific rules for them which take into account their specific situation. Regulators appear to reject such an approach and are probably quite right in doing so. Creating a dual-track regulation is not an optimal solution.

From a conceptual point of view, it would in any event be preferable to design rules for smaller banks which are based on the very same principles which are applicable to large banks; then the principle of

proportionality could come into play to take into account differences of scale. This would allow for sufficient flexibility.

What this would mean in practice needs to be explored. This should preferably be done topic by topic. Internal governance is an obvious issue which may need to be addressed in a different way where smaller banks are concerned.

The EBF, together with the two other Credit Sector Associations, will soon examine if the industry would be able to make proposals to achieve progress in this area.

As a final point, I would like to draw your attention to CEBS' due process. Is it too much or too little?

I must say that CEBS' track record is quite outstanding.

CEBS started organising regular meetings with representatives from individual banks and banking associations at an early stage in the proceedings, even before the official consultation process had started. That is extremely useful. Other events which CEBS organizes – such as workshops and public hearings - are also highly appreciated.

Experience has also taught us that CEBS representatives are always available to clarify issues and answer questions which the industry may have. The way in which it answers to the feedback which it has received during consultation processes meets the highest standards.

Finally, CEBS website as well as its email alerts are extremely useful tools.

Clearly, CEBS needs to be congratulated for its willingness to be open and transparent in what it is doing and trying to achieve.

But - yes, there is a 'but', albeit a small one - please allow me to express a concern:

CEBS has created various fora in which experts from individual banks are invited to express their views on an extremely broad range of issues. Now, don't let me be misunderstood: CEBS indeed needs to listen to the concerns which experts from individual banks have with the regulatory framework and its development, particularly when they are linked to practicalities and day-to-day operations

My concern is, however, that consulting individual bankers should not be used as a surrogate for direct communication with trade associations. To take the EBF, we represent some 5000 European banks, large and small, wholesale and retail, a status which gives us a democratic legitimacy which individual banks are inevitably missing. Moreover, - and once again speaking for the EBF- I believe that we have demonstrated that we can adapt our processes and deliver common opinions of our membership at a very early stage.

Let me then conclude by offering our continuous support to CEBS and I look forward to tackling these future challenges together.

I thank you for your attention.