8 September 2010

CEBS Statement on the disclosure of sovereign exposures in the context of the 2010 EU-wide stress testing exercise.

CEBS notes that the EU-wide stress testing exercise conducted on 91 European banks and published on 23 July 2010 was an unprecedented exercise designed to assess the resilience of the EU banking system to possible adverse economic developments, in particular shocks to credit and market risks, including sovereign risks.

Individual disclosures of sovereign exposures were an essential component of the exercise and a great enhancement in terms of transparency. This transparency efficiently complemented the design of the sovereign shocks applied in the adverse scenario of the stress test exercise, which excluded the possibility of a sovereign default. In order to harmonize the reporting and to provide a meaningful and consistent view of banks exposures to sovereign debt, CEBS and national authorities jointly developed guidance to the participating banks. In particular:

The "gross exposures" disclosed were on-balance sheet exposures net of impairments but gross of collateral and hedging. In order to provide a meaningful picture of the economic risk borne in the trading book, banks were allowed to deduct offsetting short positions when reporting gross exposures.

CEBS notes that comparison with other sources should be treated with caution as a result of different reporting dates and reporting methodologies. For instance, data provided by the Bank for International Settlements (BIS), is aggregated in a way which makes comparison with the data disclosed by banks during the CEBS exercise impossible.