

3 November 2009

CEBS Work Program 2010

Progress made in 2009

The activities undertaken by CEBS in 2009 were very much focused on contributing to an effective supervisory and regulatory **response to the crisis situation** on the financial markets, linked to the EU roadmaps and the preparation of the EU contributions to the G20 summits. In addition, CEBS has worked on a number of **new guidelines in key areas**, as identified in the CRD revisions that will take effect as of end 2010.

More specifically, CEBS focused on the following deliverables:

- Based upon a methodology agreed upon in 2008, CEBS provided **risk assessments** to the EFC-FST and started a pilot study on a cross-sectoral risk assessment, together with CEIOPS and CESR. CEBS also performed an EU wide **stress testing** exercise on request of the ECOFIN;
- CEBS has executed in 2009 an action plan for the setting up of **colleges of supervisors** for all major cross border banking groups in the EU. In addition, we worked on guidelines for the operational functioning of these colleges and for the joint assessments by home and host supervisors in a college setting
- CEBS assessed the **transparency and disclosures** of banks, by providing assessment reports on the end 2008 disclosures of banks as well as the Pillar 3 disclosures presented to the market and by developing guidelines for banks on disclosures for activities under stress;
- Other important guidelines on which CEBS worked in 2009, are the **guidelines on hybrids** and on **large exposures**. In addition, we worked together with the EU Commission on proposals for a supplementary measure, developed a proposal for a **countercyclical capital buffer** under Pillar 2 and are analysing **pro-cyclicality in relation to accounting**.
- As a result of the lessons learned from the crisis, CEBS developed guidelines for **liquidity risk** management as well as a liquidity identity card and identified high level principles for risk management and remuneration.
- We further developed parts of the harmonised **supervisory reporting** framework that should be ready in 2012, as provided for in a plan of 2008 that has been endorsed by the ECOFIN. For 2009, CEBS focused on guidelines in the area of FINREP.

- CEBS' efforts in providing **training programs** have been stepped up in 2009; as of this year, EU funding has been available. In addition CEBS has been working on amendments to its supervisory disclosure framework.
- Together with CEIOPS and CESR, we have commented on the proposals to strengthen the **institutional arrangements in the EU** for supervision, amongst others by pro-actively providing 3L3 contributions to the EU Commission.
- And last but not least, CEBS addressed a number of **calls for advice** from the EU Commission, for instance on the application of art 42 CRD between home and host supervisors.

Projects for 2010

Prioritisation

In order to be able to react swiftly to the changing situation on the financial markets, CEBS has started in 2009 to use a strict prioritisation scheme in planning and executing its activities. To this end, a distinction is made between the following priorities:

- Priority 1: these activities are key and need to be delivered within the agreed upon time schedule. Resources will firstly be allocated to these priority 1 activities.
- Priority 2: these activities are important for CEBS to deliver but could to some extent be postponed, if necessary.
- Priority 3: these activities will only be undertaken in as far they do not conflict with the resources needed for priority 1 and 2 activities.

Given the changing developments in the financial markets, priorities can change in the course of the year. Both the Extended Bureau and the Consultative Panel will be instrumental in this re-prioritisation exercise and changed priorities will be formally agreed upon at CEBS main committee meetings.

Key activities for 2010

For 2010, the highest priority has been given to CEBS' activities in relation to the regulatory and supervisory consequences of the crisis, to CEBS' deliverables connected to the upcoming changes in Basel II and the CRD and to the work, linked to the expected changes in the institutional supervisory arrangements which anticipate a changeover from CEBS to the EBA by the end of 2010.

More specifically, CEBS has identified the following projects as being high priority projects for delivery in 2010:

- **Institutional arrangements:** the EU Commission just recently made public an EU legislative package. CEBS, together with the other

level 3 committees will analyse these proposals and provide comments on the package. It is planned that by the end of 2010, CEBS will be transformed into a European Banking Authority. Quite some preparatory work needs to be undertaken in this regard, which varies from setting up and executing a migration plan to ensure day-to-day operations, to developing an IT infrastructure for the future organisation. CEBS has decided to pro-actively work on various subjects, which will be done throughout 2010.

- **Periodic risk assessments:** an increased attention to macro-economic and bank sector analyses is felt important to assess the resilience of the EU banking sector and receive early warnings for supervisory purposes. CEBS contributions focus on regular risk assessments and stress testing. In 2008, CEBS developed a mechanism for performing such focused risk assessments on a periodic basis, building upon macro-economic analyses and using a bottom-up approach. In 2010, CEBS will continue to deliver these risk assessments, identifying important risk areas, their relevance to banks, the measures banks have taken to mitigate these risks and possible policy responses needed. CEBS will also undertake, together with CEIOPS and CESR, a second pilot study for delivering on a periodic basis a cross-sectoral EU wide risk assessment. In addition, it is foreseen that in 2010 CEBS will do a new stress testing exercise, as a follow-up of the exercise performed in 2009.

- **Colleges of supervisors and other network mechanisms:** one of the lessons learned from the crisis is that supervisory cooperation, coordination and information exchange are of the utmost importance. Promoting supervisory cooperation and coordination through colleges of supervisors has been high on the agenda of CEBS since its inception, by fostering the functioning of colleges of supervisors and tackling issues raised by members or the Industry Platform on Operational Networks. CEBS will continue in 2010 with its actions to monitor the setting-up of colleges of supervisors and having targets for their operations. In addition, guidelines on the operational functioning of colleges and on joint assessments by home and host supervisors within such colleges will be finalised, in anticipation of the upcoming CRD changes in 2010.

- **Early intervention mechanisms:** By the end of 2009, the EU Commission will consult on its proposals for early intervention tools and bank resolution. It will also address asset transferability. There is a genuine interest to EU supervisory authorities to comment on this EU initiative and if felt appropriate, to develop policy recommendations, especially with a view to having a sufficiently streamlined approach for these tools for cross-border operating banking groups and to contribute to the policy debate in this area and on the further development of EU deposit guarantee schemes.

- **Pillar 2:** Pillar 2 is an area in which at the moment there is still need for further convergence of practices amongst member states. Following the crisis and with a view to the requests received in the CRD revisions, CEBS will develop guidelines in a number of important areas. We already mentioned the developments of guidelines for joint assessments and decision, which will contribute to more consistent and effective application of the principles to be applied to cross-border

banks for assessment of capital adequacy under the Supervisory Review and Evaluation Process and for the Risk Assessment of cross-border banks in general. Also the current guidelines on concentration risk will be updated in 2010 in the light of the lessons learnt from the crisis and CEBS will undertake an implementation study and develop further guidance on the topic of remuneration.

- **Amendments to the CRD:** CEBS will actively follow the BCBS developments, notably in the area of the quality and quantity of capital, supplementary measures and securitisation. CEBS' involvement in future changes to the CRD would be on performing impact assessments of these proposals at the EU level and where appropriate, providing further inputs to the policy debate.

- **Transparency and disclosure:** CEBS will finalise in 2010 its guidelines on disclosures by banks, developed as lessons learnt from the crisis. We also intend to undertake a second assessment study on the compliance of the major EU cross-border operating banks with Pillar 3 requirements as of end 2009, including, if necessary, possible policy recommendations to increase the quality of these disclosures.

- **Liquidity risk management:** as a follow-up to the guidelines developed on liquidity risk management in 2009, CEBS will develop more detailed guidelines in 2010, especially on liquidity cost allocation mechanisms. In addition, CEBS expects to work on (the EU implementation of) a minimum standard for funding liquidity, provided these developments gain momentum globally.

- **Supervisory reporting:** CEBS and CEIOPS are steadily working on the execution of their plan to introduce a harmonised supervisory reporting by 2012, as endorsed by the ECOFIN. For 2010, CEBS intends to revise its guidelines on risk reporting (COREP), including with a view to implementing changes in the CRD, and will update its proposals for financial reporting (FINREP) due to upcoming changes in accounting standards.

- **Internal governance:** In 2009, CEBS has introduced high level principles on risk management. For 2010, CEBS intends to restructure the CEBS' guidelines on risk management, linked to these high level principles. In addition, CEBS will review its current level 3 products in this area and align them with the developments that have taken place in the BCBS.

Priority 2 activities for 2010

Besides ongoing topics like training programmes, the monitoring of accounting & auditing standards, the development of guidance on the implementation of the 3rd EU anti money-laundering directive, the handling of Q&A's on the implementation of the CRD and COREP & FINREP and the yearly **Peer Review** exercises, CEBS plans also to address, amongst others, the following topics as priority 2 activities in 2010:

- In addition to Pillar 2 topics for which a priority 1 was attributed, it is planned to undertake efforts in the following Pillar 2 areas for the development or enhancement of supervisory tools:

- i. Business, strategic and reputational risk
 - ii. Interest rate risk in the banking book
 - iii. Stress testing
- **Implementation of the CRD:** Also here, CEBS has planned to further develop some level 3 products, especially with respect to some proposed refinements in the large exposure regime, a revision of the guidelines on ECAs and some enhanced guidelines on operational risk.
- **Financial conglomerates:** In 2010, the JCFC will focus its work on commenting on the upcoming revisions of the Financial Conglomerates Directive (FCD), providing an annual notification of conglomerates in the EU and monitoring the conglomerates dimension in the CEBS' and CEIOPS' work on colleges, to ensure consistency with the FCD.
- **PRIPs:** CEBS started its work on Packaged Retail Investment Products in the second half of 2009. In 2010, CEBS is expected to continue its orientation towards this topic. Amongst others, CEBS, together with CEIOPS and CESR, could comment on an expected outline of legislative proposals, to be received from EU Commission end 2009 and more definitive proposals by mid 2010.

Priority 3 activities

A number of activities have been earmarked as priority 3 activities. These activities will only be undertaken in 2010, if CEBS has sufficient resources available. Given the current situation, it is uncertain whether that will be the case. Topics that have a low priority include:

- Development of **fit and proper** requirements together with the other level 3 committees
- Analysis of the risk management aspects relevant to banks operating as a **general clearing member**
- Updating and maintaining databases and lists on **non-cooperative jurisdictions**

Detailed template on the work program 2010

A detailed template on the deliverables that are foreseen for 2010 is provided in Annex 1. For every deliverable, it shows the priority, deadline, status and origin of the request as well as some comments, if appropriate.