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Email

Mr Arnoud VOSSEN
Secretary General
CEBS
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Brussels, 3 July 2009

Subject: EBF Comments on proposed high-level principles for risk management (CEBS Consultation Paper 24)

Dear Mr Vossen, Dear Arnoud,

The EBF welcomes and supports the high-level principles for risk management which Consultation Paper 24 proposes. The Paper provides an excellent base from which to develop a comprehensive and cohesive set of risk management principles. It also supports the consolidation of all risk management principles in a comprehensive guidebook.

The EBF particularly welcomes the reference which is being made in the Consultation Paper to the principle of proportionality as an overarching principle, meaning that the size, nature and complexity of an institution need to be taken into account when applying the various risk principles to a given organisation. Such an approach will enable sufficient flexibility.

In general, the proposed principles are in accordance with what the industry considers as best practice. However, as the proposed principles are of a high-level, much will depend, of course, on how they will be implemented in practice as high-level principles, by their very nature, inevitably call for additional clarification. We expect, however, more clarity on possible ambiguities to be provided in due course when CEBS will further develop guidelines on specific topics. Our understanding is that such additional guidance will be made subject to prior consultation.

It would nevertheless be useful for the sake of clarity to amend the principle which is proposed in paragraph 10 (*"It is therefore of the utmost importance that the management body have a full understanding of the nature of the business and its associated risks"*). We believe that there are various levels of required understanding for the management body. While it should be expected that the CRO and Finance Director have a full understanding of the technicalities in the area of risk management, it should suffice for other members of the

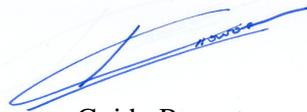
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management body to have a more general understanding of the risk factors and models. We, therefore, suggest in paragraph 10 to replace “full understanding” with “level of understanding commensurate with their responsibilities”.

Another comment to be made at this stage concerns the sentence in paragraph 32 which explains that internal procedures and information systems should be consistent throughout the institution so that risks can be identified, measured and managed on a consolidated basis. As you are well aware, organising risk management on a consolidated basis is currently meeting operational difficulties because of existing differences in Member States’ legislation (existence of national options and discretions) and/or in the way legislation is being interpreted and implemented across Member States, lack of common data definitions, etc. Resolving such operational problems is currently requiring much time and effort which banks’ CROs could put at better use. Banks’ risk management practices will, therefore, benefit from increasing convergence that is likely to be achieved in the area of banking regulation across Europe in the future.

Finally, the Consultation Paper seems overly ambitious where it states that “Every member of the organisation must be constantly aware of his responsibilities relating to the identification and reporting of risks” (see paragraph 11). We would like to suggest amending this to make clear that every relevant member of the organisation must be aware of his responsibilities in this respect.

Yours sincerely,



Guido Ravoet