



# EBIC Meeting

## Supervisory and regulatory developments in EU 2009

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**CEBS**

Committee of European  
Banking Supervisors

# The Role of CEBS

## Objectives:

Promote efficient and effective supervision and the safety and soundness of the EU financial system through:

- Good supervisory practices
- Efficient and cost-effective approaches to supervision of cross-border groups
- Level playing field and proportionality

## Main tasks:

- Give advice to the Commission
- Promote consistent implementation/application of the EU banking legislation
- Promote convergence of supervisory practices
- Promote information exchange and supervisory cooperation
- Regular risk assessments from a supervisory perspective



## 2008 - Progress made

- Further guidance in the delivery of the Capital Requirements Directive
- Follow-up work on conclusions of the Lamfalussy review
- Update of the decisions establishing the 3L3 Committees
- Addressing the projects mentioned in the EU roadmap on the market turmoil
- Report on transparency and disclosures by banks
- Facilitating the swift exchange of information between members
- More frequent meetings among CEBS members
- Intensified dialogue with CEBS external stakeholders

## 2008 - Progress made

### Current crisis situation

- Enhanced cooperation between CEBS members, and with the sister Committees and EU institutions
- Task Force on Crisis Events (TFCE):
  - Analyzing the supervisory implications of the national “rescue plans” as announced by members
  - Looking at crisis events surrounding individual institutions

## 2009 – Institutional issues

Commission revised Decision on establishment and tasks of CEBS is expected to be published soon

### Key issues

- Strengthened role of CEBS
- Regular reporting to EU institutions
- Regular risk assessments jointly with BSC

## 2009 – Institutional issues

### Commission Mandate to the “de Larosière Group”

- The Group will make proposals covering all the financial sectors with the objective to establish a more **efficient, integrated, sustainable** EU system of supervision
- Issues to be addressed:
  - How the supervision of EU financial institutions should be best organised
  - How to strengthen EU cooperation on financial stability oversight, early warning mechanisms and crisis management (cross border and cross sectoral risks)
  - How supervisors in the EU should cooperate with their counterparts in other major jurisdictions at a global level

## 2009 – Institutional issues

### **CEBS stance on future institutional setting → enhanced evolutionary approach**

Stressing the following:

- Establishment of colleges of supervisors for all cross border banks in the EU
- Networks of national experts to be set up
- Reinforced institutional arrangements between CEBS, BSC and ECB → especially in the context of risk assessments
- CEBS guidance and recommendations to be implemented timely and adequately at a national level
- Peer reviews

# CEBS work programme 2009

## Process

- CEBS has identified the topics it needs to work on in 2009
- During this identification process, CEBS has decided that flexibility and ability to react swiftly should be maintained. Thus, while a strict prioritization process is followed, changes in priorities will be accommodated.

## Priorities

- Priority 1: Key activities that need to be finished within the agreed upon time schedule i.e. crisis management, early intervention mechanisms
- Priority 2: Important activities for CEBS to take on, but could be postponed, if necessary i.e. large exposures
- Priority 3: activities that will be undertaken as far as they do not conflict with the resources needed for priority 1 and 2 activities



# Priority 1 Activities - General

## **Priority 1 activities**

- Issues linked to the current crisis situation
- CEBS deliverables to the EU roadmaps
- CEBS deliverables to global recommendations

## Priority 1 Activities – Crisis management

Crisis Management is paramount to CEBS and its members

- CEBS will continue to:
  - facilitate swift information exchange
  - provide guidance on topics of common interest

Further work is planned regarding:

- Colleges of supervisors in **crisis situations**
- Implementation of practical tools for information exchange
- Supervisory implications of national “rescue plans” (TFCE)
- Enhanced guidelines to strengthen bank’s risk management practices (TFRM)

## Priority 1 Activities – Early intervention mechanisms

A white paper is being prepared by the European Commission on early intervention mechanisms and a request for assistance has been sent to CEBS. Relevant topics include

- Stabilisation measures available for problem banks
- Conditions under which these measures can be used
- Link with issues on asset transferability and deposit guarantee schemes

Goal is to develop a streamlined approach for cross-border operating banking groups

# Priority 1 Activities – Transparency and Disclosure

2008

- CEBS reported twice on transparency and disclosures based on a sample of large banks

2009

- Similar analysis will be performed when 2008 year-end results are available
- Major EU cross-border operating banks will disclose Pillar 3 information
- Possible policy recommendations
- Assess and report on industry proposals on better transparency for securitised transactions (EBF templates and supervisory relevance)

## Priority 1 Activities – Periodic Risk Assessments

- CEBS has delivered two risk assessment reports to the EFC – FST
- CEBS will continue to provide, at least bi-annually, assessments of micro-prudential trends, potential risks and vulnerabilities in the banking sector
- Close cooperation is also built with the sister Committees CESR and CEIOPS establishing a 3L3 cross sector risk assessment framework

# Priority 1 Activities – LRM

2008

- CEBS report on liquidity risk management and supervision
  - 30 recommendations

2009

- Follow-up work
- More detailed guidance on
  - Composition of liquidity buffers
  - Definition of the survival period
  - Transfer mechanisms within groups
  - Criteria for assessing banks' internal methodologies
  - Developing a minimum set of common information requirements

## Priority 1 Activities – Colleges of supervisors

CEBS will continue its work on colleges of supervisors

- Colleges to be established for all major cross-border banks in Europe by the end of 2009
- Assessing the functioning of colleges
- Developing recommendations for college procedures in times of crisis; lessons learned from the recent events (TFCE)
- Developing good practices, including 10 common (CEBS/CEIOPS) principles for colleges of supervisors
- Analyzing possible other networking mechanisms

## Priority 1 Activities – Capital Instruments

- In 2008 CEBS has delivered advice on hybrid capital instruments which has been largely translated into the proposal for a revised CRD
- Further work to be done
  - Elaborate guidelines for the convergence of supervisory practices
  - Review the application of those guidelines
- Goal is to provide a common EU interpretation of the eligibility criteria and advise the European Commission on the codification of these criteria into EU legislation
- Monitoring new issuance of capital instruments and their consistency with the revised CRD



## Priority 1 Activities – Others

- Harmonised supervisory reporting by 2012
- Several deliverables need to be agreed upon in 2009, both on COREP and FINREP
  - Streamlined FINREP and COREP framework
- Principles for risk management
- Principles for remuneration policies and incentive schemes
- Training programmes
- Article 6 of EC decision:
  - “*The Committee should contribute to the development of a common supervisory culture in the field of banking as well as on a cross-sectoral basis in close cooperation with the other Committees of Supervisors*”
- CEBS, CEIOPS and CESR plan to develop 3L3 courses in 2009
- EU funding from the European Commission expected
- 2009 will be a pilot year

# Priority 2 Activities – Part I

- Pillar 2 issues
  - Supervisory Review and Evaluation Process
  - Concentration risk
  - Business, strategic and reputational risks
  - Internal governance
  - Stress testing
- The pro-cyclicality problem
  - Report to EFC in liaison with BSC (December 2008)
  - Pillar 2 capital buffers that can be drawn down in adverse market conditions
  - Effects of the CRD to the economic cycle
  - Impact of declining capital levels
- Amendments to CRD (apart from hybrid capital)
  - Implementation work on large exposures
  - National discretions and options
  - Tools for cross-border cooperation

## Priority 2 Activities – Part II

- Supervisory disclosure
  - Framework is now in operation
  - Improvement is needed "→ extension of the framework (tables/guidance)
  - 2009 "→ amend the guidelines
  - 2010-2011 "→ enforcement will take place
- Financial conglomerates
  - IWCFC implementation of FCD
  - Carrying out micro-prudential crisis related work
- Mediation
  - Not used so far
  - 2009 "→ case study will be undertaken
- Delegation
  - Follow-up work on delegation of tasks
  - Voluntary delegation of supervisory competences?

## Priority 3 Activities

Projects that will be undertaken in 2009 provided that sufficient resources are available

- Development of a range of practices paper on interest rate risk in the banking book
- Follow-up work on diversification under Pillar 2
- Updating the guidelines on validation
- Updating the Pillar 3 implementation study undertaken in 2007
- Some topics in the intermediate 3L3 work programme

## CEBS – Summary of next steps

- Contribute to restoration of confidence in financial markets
- Continue close monitoring of the financial crisis and co-ordinate supervisory responses
- Deliver on CEBS work program 2009 and co ordinate with the global agenda
- Move further on European convergence



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