

Extension of the Supervisory Disclosure Framework (CP29)

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Committee of European
Banking Supervisors

General remarks

Under the '**supervisory disclosure**' heading, national competent authorities will disclose the information regarding the national texts in the field of prudential regulation and their supervisory practice.

The content of the following templates which represent a set of tables to be inserted into national websites is currently divided in four sections:

- Laws and regulations
- Options and national discretions
- Supervisory review
- Statistical data

Extension of the SD

CEBS identified the following areas of extension:

- *Mergers & Acquisitions;*
- *National discretions* in Directives 2006/48/EC and 2006/49/EC, national discretions on large exposures in the CRD2;
- *Pillar 2;*
- *Pillar 3.*
- *CRM;*
- *Securitisation; and*
- *Colleges.*

Mergers & Acquisitions

The new template discloses information on the implementation of the 3L3 guidelines regarding the information required from proposed acquirer per each assessment criteria (CRD).

CEBS developed an **additional template on rules and guidance** – law and regulations which discloses the implementation of the new provisions on mergers and acquisitions

Mergers and acquisitions template (extract)

Assessment criteria according to the 3L3 Guidelines	Provisions within Dir.2006/48/E C	COUNTRY			EXAMPLE		
		List of information required for the assessment of the acquisition (Hyperlink to the national website where the list is published)			List of information required for the assessment of the acquisition (www.country.com/listofinformation)		
I. Reputation of the proposed acquirer	Art. 19a(1)(a)	Integrity	Professional Competence	Practicalities of the Cooperation Process	Integrity	Professional Competence	Practicalities of the Cooperation Process
					A / C / E / F [a. b.] I / IV / VI to IX	A to C I [a. b.] / III / IV [a.]	A [a. b.] / B [b. c.] I [a. to c.] / II [a.]
II. Reputation and experience of any person who will direct the business of the financial institution as a result of the proposed acquisition	Art. 19a(1)(b)						
		Y/N			Y		
III. Financial soundness of the proposed acquirer	Art. 19a(1)(c)	Scope of analysis	Practicalities of the Cooperation Process		Scope of analysis	Practicalities of the Cooperation Process	
IV. Compliance with the prudential requirements	Art. 19a(1)(d)	Scope of analysis			Scope of analysis		
V. Suspicion of money laundering or terrorist financing	Art. 19a(1)(e)	Scope of analysis	Practicalities of the Cooperation Process		Scope of analysis	Practicalities of the Cooperation Process	
VI. List of information required for the assessment of the acquisition	Art. 19a(4)	Scope			Scope		

Rules and guidance template on M&A

	Provisions within Dir. 2006/48/EC	COUNTRY		
		National texts	References	English
I. Reputation of the proposed acquirer	Art. 19-A (1) a)	Law XX Administrative text YY	Articles Art. ...	Y/N Y/N
II. Reputation and experience of any person who will direct the business of the financial institution as a result of the proposed acquisition	Art. 19-A (1) b)			
III. Financial soundness of the proposed acquirer	Art. 19-A (1) c)			
IV. Compliance with the prudential requirements	Art. 19-A (1) d)			
V. Suspicion of money laundering or terrorist financing	Art. 19-A (1) e)			
VI. List of information required for the assessment of the acquisition	Art. 19-A (4)			
L: means texts of laws				
R: means texts of regulations				
A: means administrative rules				
CI means applicable to credit institutions				
IF means applicable to investment firms				
I means applicable to both				

National discretions and options

The new template discloses information on **more than 20 national discretions in Directives 2006/48/EC and 2006/49/EC** (not yet included in the current SD framework) and national discretions relating to **large exposures** in the CRD2. Template **excludes provisions subject to permission** of competent authorities or and expired **transitional** national discretions.

Template is to give a **more granular and clearer comparative overview**, streamlining the wording of the columns "Denomination" and "Description" regarding the NDs to be added to the current list; customising the template; and adding a drop-down menu in each cell from which one of the possible options is to be chosen.

National discretions and options template (extract)

Options and national discretions - CEBS website	Dir. 2006/48 (unless indicated Dir. 2006/49/E C)	Denomination	Description	COUNTRY
SUBJECT MATTER, SCOPE AND DEFINITIONS	Article 5.2 Dir. 2006/49/E C	Holding of trading book positions in financial instruments of certain investment firms	Subject to certain conditions, competent authorities may allow an investment firm which executes investors' orders for financial instruments to hold such instruments for its own account.	
FREEDOM OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES	Article 29	Reporting requirements for branches of credit institutions in Host Member States	Host Member States may, for statistical purposes, require that all credit institutions having branches within their territories shall report periodically on their activities in those host Member States to the competent authorities of those host Member States.	
OWN FUNDS	Article 27.2 Dir. 2006/49/E C	Consolidated own funds of institutions	The competent authorities responsible for exercising supervision on a consolidated basis may recognise the validity of the specific own-funds definitions applicable to the institutions concerned under Chapter IV (Articles 12 to 17 CAD) in the calculation of their consolidated own funds.	
OWN FUNDS	Article 57 (second last paragraph)	Inclusion of interim profits	Member States may permit the inclusion of interim profits before a formal decision has been taken on the accounts, subject to conditions.	A
OWN FUNDS	Article 58	Waiver on certain deductions	Shares in another credit institution, financial institution, insurance or reinsurance undertaking may not be deducted if held temporarily for the purposes of a financial assistance operation designed to reorganise and save the entity.	NA

Pillar 2

Pillar 2:

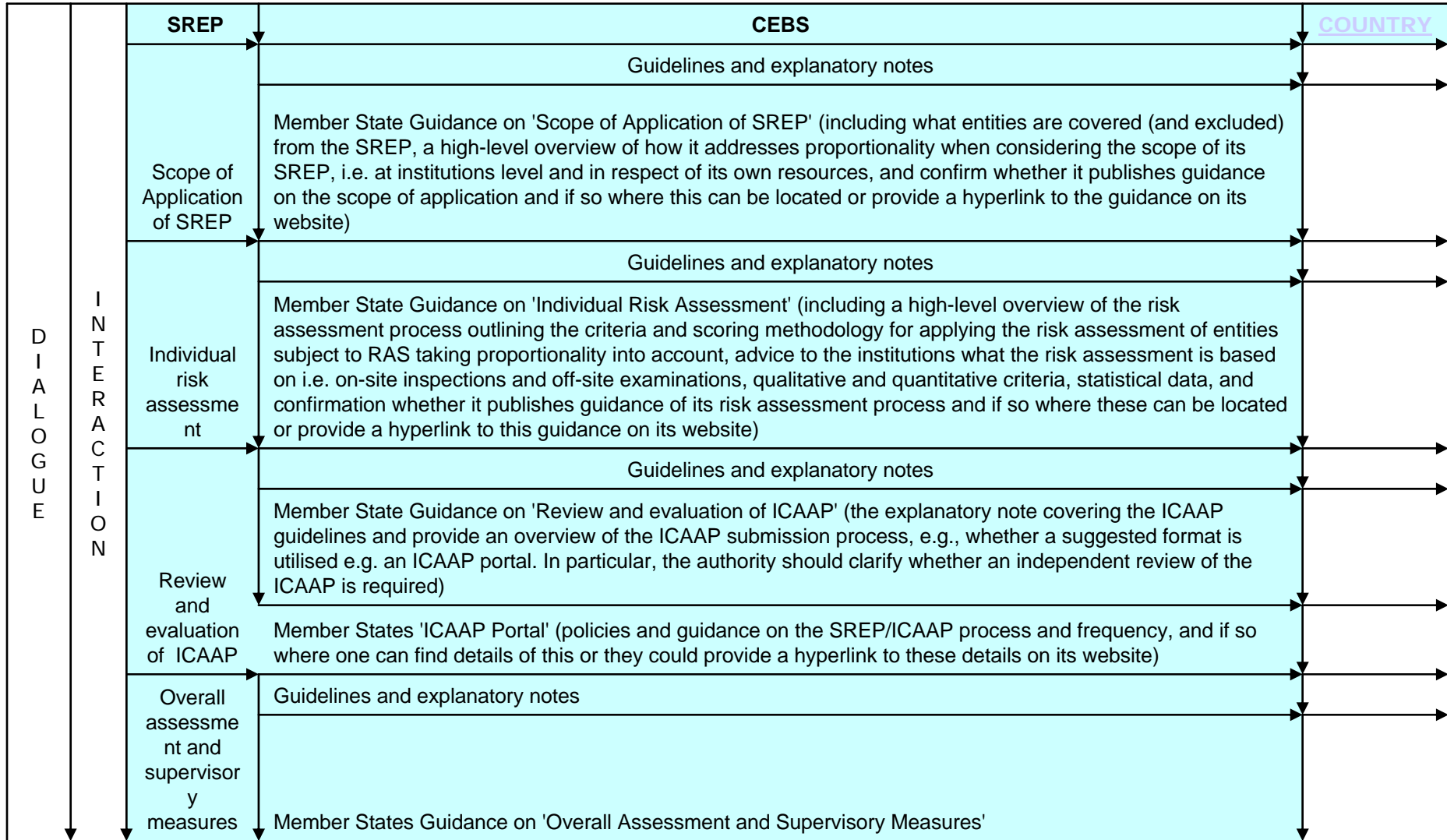
In addition to the statistical data on supervisory measures and actions already disclosed, this template will disclose qualitative information on **SREP process** in more detail for the following sections:

1. Scope of Application of SREP,
2. Overall Assessment and Supervisory Measures,
3. Review and Evaluation of ICAAP and
4. Individual Risk Assessment

by:

- executive summaries which give an overview of the topics and provide the reader with additional examples, and
- with hyperlinks to national provisions providing hyperlinks to relevant documents (in some cases) instead of providing narrative text.

Pillar 2 – revised SREP template



Pillar 3

Pillar 3:

Disclosure of specific requirements with regard to the **location, frequency, verification process**, etc. of the Pillar 3 disclosures provided by credit institutions.

Disclosures will comprise:

- implementation of national measure;
- powers of the competent authority to require certain disclosures by credit institutions; and
- the information utilised by competent authorities in their determination of what constitutes a 'significant subsidiary'.

Pillar 3 template (extract)

PILLAR 3 APPLICATION	Reference to CRD	Description	COUNTRY	EXAMPLE
Content of disclosures	Art. 149 (a)	Supervisor can require credit institutions to make one or more of the disclosures referred to in Annex XII, Parts 2 and 3	(Application)	Whereas local credit institutions are primarily exempt from disclosing information if this is deemed to be non-material, proprietary and/or confidential, Banking Rule, paras 1 and 2 state that "Such omissions are subject to the authority's verification that the institution's determination is valid."
Frequency and deadline for publication	Art. 149 (b)	Supervisor can require credit institutions to publish one or more disclosures more frequently than annually, and to set deadlines for publication	(Application)	No measure was taken in this respect. However, local credit institutions are required to include the additional disclosure requirements in their annual report, and local legislation stipulates that the audited financial statements shall be published not later than four months from the closing of the financial year. Therefore, it follows that to be included in the annual report together with the financial statements, the additional disclosure requirements will also need to be published within 4 months from year-end.
Media and location for disclosures	Art. 149 (c)	Supervisor can require credit institutions to use specific media and locations for disclosures other than the financial statements	(Application)	The competent authority has retained the option to require credit institutions to "use specific media and locations for disclosures other than the published Annual Report". However such media was not specified.
Means of verification	Art. 149 (d)	Supervisor can require credit institutions to use specific means of verification for the disclosures not covered by statutory audit	(Application)	No measure was taken in this respect, since the competent authority has not provided any relevant additional guidelines and/or recommendations.
Significant Subsidiaries (EEA)	Art 72	What constitutes a 'Significant Subsidiary' (criteria)	(Application)	No specific definition provided - but all subsidiaries have been deemed as significant locally.
	(1) and (2)		(Application)	...
	Art 72	Information requested from Significant Subsidiaries	(Application)	...

Credit Risk Mitigation

New CRM template will provide supervisory disclosure of:

- general information on the use of these techniques
- the approach adopted in respect of their implementation to give a clear overview of this area to stakeholders.

Additionally, **Rules and guidance** section will be supplemented with information on implementation of the CRD provisions on CRM.

Credit Risk Mitigation template

CREDIT RISK MITIGATION INFORMATION			COUNTRY
Reference in CRD	Denomination	Description	Disclosure of definition, interpretation/additional information
Annex VI, Part 1, number 48(d)	Exposures secured by mortgages on residential property	Exposures or any part of an exposure fully and completely secured, to the satisfaction of the competent authorities (...) competent authorities shall be satisfied only if the following conditions are met: (d) the value of the property exceeds the exposures by a substantial margin .	(When is an exposure declared to be completely secured? How do the competent authorities define 'substantial margin'?)
Annex VIII, Part 1, number 7(f)	Eligibility of collateral	The following financial items may be recognised as eligible collateral under all approaches and methods: (f) equities or convertible bonds that are included in a main index	(How do competent authorities define 'main index'? Publication of a list of 'main indexes'.)
Annex VIII, Part 1, number 8(a)	Eligibility of collateral	Debt securities issued by institutions (...) may be recognised as eligible collateral if they fulfil the following criteria: (a) they are listed on a recognised exchange	(How do competent authorities define 'recognised exchange'? Publication of a list of 'recognised exchanges'.)
Annex VIII, Part 3, number 58(e)	Conditions for applying a 0% volatility adjustment	The transaction is settled across a settlement system proven for that type of transaction.	(How do competent authorities define a 'proven settlement system'?)
Annex VIII, Part 3, number 58(f)	Conditions for applying a 0% volatility adjustment	The documentation covering the agreement is standard market documentation for repurchase transactions or securities lending or borrowing transactions in the securities concerned.	(What kind of documentation do competent authorities accept as standard market documentation?)
Annex VIII, Part 3, number 58(h)	Conditions for applying a 0% volatility adjustment	The counterparty is considered a 'core market participant' by the competent authorities. (...)	(Publication of a list of regulated collective investment undertakings that are subject to capital or leverage requirements, regulated pension funds and recognised clearing organisations that are considered 'core market participants' by the competent authorities.)
Annex VIII, Part 3, number 62	Real estate collateral	(...) In those Member States that have laid down rigorous criteria for the assessment of the mortgage lending value in statutory or regulatory provisions (...)	(National legislation for the assessment of the mortgage lending value.)

Securitisation

Two templates developed.

One revises the **Credit risk data template** and adds information on the total amount of securitisation exposures originated – on and off balance sheet; and the total amount of securitisation positions retained (securitisation positions – original exposure pre-conversion factors) – on and off balance sheet.

Secondly, **Rules and guidance template** on securitization discloses new requirements following the CRD2 – implementation of the general criteria and methodologies adopted to review compliance with paragraphs 1 to 7 of Article 122a.

Credit Risk Data template revised (extract)

Pillar 1 Credit Risk Data		COREP EU	COUNTRY
Credit institutions: distribution by IRB exposure class *	Exposure % of risk weighted assets (EFP)	Central Government (A) & Central banks	
		Institutions (B)	
		Corporate (C)	
		Retail (D)	
		Equity	
		Securitisation positions	(CR SEC IRB row 1 col 36 + CR SEC SA row 1 col 30) / CA 2,1, *(12,5) [CR SEC SA row 1 col 30] = 0, if SA is reported row 29
		Other non credit-obligation assets	
		Other items	
Pillar 1 Credit Risk Data : Additional information on securitisation		COREP EU from CR SEC IRB and CR SEC SA (securitization type: TOTAL)	COUNTRY
Credit institutions - Originator	Total amount of securitized exposures originated - on balance and off balance	(CR SEC IRB row 2 col 1) + CR SEC SA (row 2 col 1)	
	Total amount of securitization positions retained (Securitization positions - original exposure pre conversion factors) - on balance and off balance	(CR SEC IRB rows 2 col 5) + (CR SEC SA row 2 col 5)	

Rules and guidance template on securitisation

RULES AND GUIDANCE/SECURITIZATION		COUNTRY
Article 122 a	CEBS	General criteria and methodologies
Article 122a (1)	Guidelines	
Article 122a (2)	Guidelines	
Article 122a (3)	Guidelines	
Article 122a (4)	Guidelines	
Article 122a (5)	Guidelines	
Article 122a (6)	Guidelines	
Article 122a (7)	Guidelines	

Colleges

Proposed disclosure of **general information**:

- **number** of colleges the supervisory authority is **member** of;
- its **role** in the college (consolidating or host supervisor);
- existence of a **core** college; and
- the number of cooperation **agreements** in place.



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Thank you for attending this public hearing.