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## **SUMMARY OF THE OPEN HEARING ON CEBS'S PROPOSALS ON THE FUTURE TREATMENT OF OPTIONS AND NATIONAL DISCRETIONS IN THE CRD**

On 22 May 2008, the Committee of European Banking Supervisors (CEBS) submitted for public consultation its proposals on options and national discretions in the Capital Requirements Directive as part of developing its response to the European Commission's Call for Technical Advice.

On 17 June 2008 CEBS organized a hearing open to all interested parties with a view to receiving preliminary feedback on its proposals. Market participants from European and national trade associations, representing both domestic and cross border institutions, and from large and complex groups from different Member States contributed to a fruitful discussion.

CEBS initiated the discussion by providing an overview of the scope, the working methods and the results achieved so far. As the scope of the work ended up covering 152 diverse provisions, a pragmatic approach has been followed in the handling of the workload. CEBS, assisted in its work by an industry expert group, identified the various possibilities for dealing with options and national discretions:

- deleting the discretionary part of a provision;
- deleting the provision in its entirety;
- providing an option to banks/investment firms; resorting to a (binding or non-binding) mutual recognition clause; resorting to an 'EU assessment process';
- turning them into or recognising them as supervisory decisions. In response to industry questions, further explanations were provided in relation to the notion of supervisory decisions.

Finally, a statistical overview of the progress achieved was presented.

A representative of the industry expert group that worked with CEBS on the topic of options and national discretions presented the industry views on the process and gave a preliminary feedback on the consultation paper. Participants stressed the need for an impact assessment of the overall effect of CEBS's proposals as a whole, but at the same time acknowledged the difficulty of such an exercise. In relation to those options/national discretions where there is an alignment between CEBS's proposals and the industry's views, the industry representatives suggested that a complete impact assessment would not be necessary.

Besides general comments on the CP, CEBS also urged market participants to provide specific input on a number of its draft proposals during the consultation period. In particular CEBS would welcome any qualitative input that would contribute towards the development of its impact assessment/cost and benefit analysis. To that effect, CEBS presented in further detail its tentative proposals on a number of options and national discretions.

In relation to discretions in the area of IRB, the discussion focused on ND 38 (specialised lending); ND 43 (regulatory value for M); and NDs 112 and 113 (definition of default).

During the discussion of the discretions in the area of the trading book, some participants noted their preference for extinguishing all options/ discretions in the CRD. Others highlighted that this would create costs for some institutions, in particular if such options remain available outside the EU.

In relation to the rest of the discretions where input is sought by market participants, the discussion centered on provisions in the area of the standardized approach. The general comment was made that the deletion of the discretionary elements from the CRD would be made easier if specific criteria, with which institutions have to comply, are put in place. While in agreement with the general idea, CEBS explained that it is outside the scope of its work on the current Call for Advice to develop robust and objective criteria where there are none or where they are insufficient.

In conclusion, a number of participants expressed their satisfaction with CEBS's work and highlighted that, although further discussions are still necessary, considerable progress has been made.