



PRMIA Stockholm

Regulation in the aftermath of the financial crisis

Kerstin af Jochnick | 29 May 2008

CEBS

Committee of European
Banking Supervisors

Outline

- CEBS' main tasks
- Regulatory initiatives
- Lamfalussy review
- Supervisory Colleges

CEBS' main tasks

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
- effective regulation
- level playing field and proportionality

Main tasks

- Give advice to the Commission
- Promote consistent implementation/application of EU legislation and enhance convergence of supervisory practices
- Exchange information and enhance supervisory cooperation
- Alerting on financial stability

Regulatory initiatives

- Financial Stability Forum
- Basel Committee on Banking Supervision
- Senior Supervisors' Report
- ECOFIN Roadmap
- Committee of European Banking Supervisors
- Institute for International Finance

Regulatory initiatives

Financial Stability Forum

- Strengthen Prudential oversight of capital, liquidity and risk management
- Enhancing transparency and valuation
- Changes in the role and uses of credit ratings
- Strengthening the authorities' responsiveness to risk
- Robust arrangements for dealing with stress in the financial system

Regulatory initiatives - Strengthened prudential oversight

Financial Stability Forum

- Capital requirements
- Liquidity
- Oversight of risk management
- Over the counter derivatives

EU Commission and CEBS

- Review CRD
- Guidance Liquidity Risk Management
- Improved transparency
- Developed supervision cross border groups

Regulatory initiatives - Enhancing transparency and valuation

Financial Stability Forum

- Robust risk disclosure
- Standards for off-balance sheet vehicles and valuations
- Transparency in structured products

EU Commission and CEBS

- Report and guidance on transparency structured products
- Develop joint reporting framework
- Dialogue with accounting standard setters on improved guidance for valuation of illiquid assets

Regulatory initiatives - Ratings and authorities responsiveness to risk

Financial Stability Forum

- Changes in the role and uses of credit ratings
- Strengthening the authorities' responsiveness to risks
- Robust arrangements for dealing with stress in the financial system

EU Commission and CEBS

- Report from CESR
- Review of role given to ratings in regulations
- Supervisory Colleges for large cross border banks
- Authorities will strengthen their cooperation in dealing with stress (MOU)

Strengthened role for CEBS within the Lamfalussy architecture:

- Accountability – To European institutions
- Mandate – An additional EU aspect
- Funding – Possible EU budget allocation
- QMV - Qualified Majority Voting

Lamfalussy review (2)

- Strengthen national application of level 3 guidelines
- Guidelines for operation of colleges
- EU-wide reporting format
- Delegation of tasks
- Consider budgetary support to 3L3 Committees and enhance EU supervisory culture

Supervisory Colleges

CEBS has issued:

- Guidelines for home-host co-operation
- Paper on range of practices for supervisory colleges and home-host co-operation
- Template for multilateral co-operation

Supervisory Colleges (2)

The reasons for setting up a college are to:

- Facilitate exchange of information (in normal situations and in times of crisis)
- Develop understanding of risk profile
- Achieve co-ordination of supervisory review and risk assessment
- Co-ordinate supervisory decisions and activities
- Avoid duplication of work
- Reduce regulatory burden

Crisis Management

- Memorandum of Understanding

Ministries of Finance - Central Banks - Supervisory Authorities

- Commitment to co-operate across borders with a view to enhance preparedness for management of a potential cross border crisis.

Framework for assessing systemic implications

Practical guidance for crisis management

Considers inter-linkages bank, insurance and securities markets

- Crisis simulation exercise (2009)



CEBS

Contacts:

CEBS – <http://www.c-ebs.org>

Kerstin af Jochnick
Chair of CEBS

Kerstin.Jochnick@c-ebs.org

Committee of European
Banking Supervisors