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**"Challenges for EU supervisory arrangements in an increasingly
global financial environment"**

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- The first point I would like to make could sound rather obvious, but needs to be made: the Lamfalussy arrangements have represented a major improvement in the framework for banking supervision in the EU. At CEBS we develop a massive amount of joint work, focused mainly on the application of the Capital Requirements Directive (CRD), and we achieved a common understanding on an impressive amount of issues. When I first saw our meeting table and the sheer amount of members around it, I must confess that I wouldn't have dared to hope that we would have achieved so much in so little time.
- But we never wanted to be self-complacent. While approaching the Lamfalussy review, we decided to undertake an online survey asking to all the interested parties to assess the progress made and identify areas for improvement. Our Consultative Panel played a key role in launching this initiative and framing the questionnaire. The results of the survey provide a positive feedback on CEBS work: respondents (without considering the responses of CEBS members) are either happy, or fairly satisfied, with what they see coming out of CEBS and how we work.
- At the same time, the survey also highlights that there is scope for improvement. In particular, it points out what I view as the major challenge facing our committee. While the quality of our papers is generally highly rated and the approach followed to achieve convergence is positively assessed, the perception is that the changes in actual day-to-day practices are not yet visible. In other terms, we designed a good framework for convergence, but we haven't yet delivered tangible progress in convergence on the field.

- We have already started developing the tools to bridge this gap. I would like to stress two tools in particular, as we have high expectations on the contribution they can give to push forward convergence in day-to-day practices.
- The first is our framework for **supervisory disclosure**. It is a requirement of the CRD, but we tried to develop it so as to exploit its full potential. It provides an opportunity to compare the national approaches to the implementation and application of the CRD according to a common layout and in a single language, through CEBS' website. This framework is intended to make supervisory practices more transparent, and should prove to be a powerful tool in achieving consistent implementation of EUY legislation and convergence of supervisory practices, through peer and market pressure. We are very pleased that the Inter-Institutional Monitoring Group appreciated the value of this tool and suggested its extension to all areas of banking and financial regulation.
- The second is our project on **operational networking**. It focuses on the day-to-day supervision of cross-border groups and on the mechanisms for cooperation between consolidating and host supervisors. The project aims at providing a bottom-up approach to help ensure the effective application of the CRD and CEBS' guidelines by identifying practical issues emerging in day-to-day supervision and developing common answers. It should deliver papers on good and best practices, make sure that the same implementation question receives the same answer in the Single Market, and allow for an interactive dialogue with market participants on cross-border issues. A pilot phase of the project is now focused on a sample of 10 cross-border groups, selected on the basis of the relevance of their cross-border business in the EU. I view this project as essential to deliver in practice what CEBS has set out in policy.
- Will this be enough? It is difficult to judge ex-ante. I perceive some scepticism and, to some extent, I share the view that more might be needed. President Trichet said recently, speaking at the First Conference organised by CEBS, that lawmakers should further consider "...whether the present entirely non binding approach to supervisory cooperation will be sufficiently strong to respond to the growing challenges of effective and

efficient group supervision” and suggested that more solid foundations should be laid for the working of Level 3 Committees. Indeed some reinforcement of the Committees would be welcome. An explicit EU orientation of the national mission statements of supervisory authorities would probably support such a development. A reinforced commitment to apply the measures issued by Level 3 Committees in an effective and consistent fashion should also contribute to strengthen the role of the Committees. This does not necessarily require a legally binding nature of our work; but we have to agree that in a setting with 27 countries there will be occasions in which national authorities have to accept a solution just for the sake of convergence, even though it would not be their preferred choice.

- Let me conclude with few words on the cross-sectoral dimension of the process. The legislative process moves across sector-specific lines, and since their establishment the three committees have been focusing their efforts at rather different levels of the Lamfalussy process. Moreover, there is clear dividing line between prudential supervision, which so far has been the almost exclusive focus of CEBS, and conduct of business regulation, on which for instance CESR has focused most of its work. However, I believe that the correct approach should be to adopt the *same solution across sectors, unless there are clear reasons to differentiate*. For instance, there is no reason why we should have different approaches in areas such as mediation, common training and exchanges of staff, delegation of tasks. The problems we face are the same; the solution should be the same. Moreover, the development of financial conglomerates is making us more and more aware that we should have well aligned solutions in areas in which sector-specific requirements overlap. Otherwise we open the room for regulatory arbitrage or we generate an undue compliance burden on conglomerates. The requirements on internal governance are the most evident example, as they cut across the CRD, MiFID and Solvency II. But there are other issues as well, and we are actively discussing how to pursue them by developing a common mid-term agenda for the work of the three committees.