



Review Panel

9 April 2009

**Peer Review on CEBS's Guidelines on the
implementation, validation and assessment of
Advanced Measurement (AMA) and Internal Rating
Based (IRB) approaches**

(Test of CEBS's peer review mechanism – phase 2)

Table of contents

Introduction	3
Level of compliance	5
I. Main issues	7
1. Six months period	7
i) Criteria for the assessment of the completeness of an application.....	8
ii) Maximum duration for checking the completeness of an application	8
iii) Preconditions for stopping the clock	9
iv) Impact of timelines for national transposition and the 6-months requirement.....	9
2. Consistency of implementation of the joint decision	11
3. Involvement of the host supervisors in the later phases of assessment	11
4. Degree of reliance on the pre-validation self assessment by the institutions	12
5. Communication issues.....	13
II Lessons learnt and the way forward for CEBS peer reviews	14
1. Peer Review Methodology	14
2. Adequacy of the Guidelines	15

Introduction

1. The purpose of peer review is to encourage supervisory convergence within the European Economic Area by assessing the implementation of supervisory provisions set out in Community legislation, CEBS Guidelines and other CEBS documents, and to enhance the convergence of the day-to-day application of such provisions.
2. Against this backdrop, the Review Panel is mandated to assess the degree of convergence reached by CEBS members in the implementation of a given supervisory provision or practice. To do so, CEBS relies on self-assessments conducted by its members against clear and objective implementation criteria, and on independent reviews conducted by the Review Panel. Consistent with the so-called 'comply or explain' approach, should a member have not implemented a given supervisory provision or practice it will have to explain why.
3. Following the publication in April 2006 of CEBS's Guidelines on the implementation, validation and assessment of Advanced Measurement (AMA) and Internal Ratings Based (IRB) approaches (hereafter "the Guidelines"), CEBS decided at its December 2007 meeting to conduct a peer review of the implementation of the Guidelines, from both home and host perspectives.
4. The pilot-study nature of this exercise has to be borne in mind as it is aimed at testing the peer review mechanism - focusing on methods and lessons to be learnt - rather than on culling infringers to "name and shame". Against this backdrop, the selected topic, on which special emphasis has been placed by supervisors during the last couple of years, was deemed to be an appropriate one for a non-controversial assessment.
5. It is important to note that this report builds on facts relative to 38 cases of validation of advanced approaches (AMA and/or IRB approaches) under the Capital Requirements Directive (CRD) recorded as of end March 2008. As the cases under review were the very first ones, some of the issues highlighted in this report may not hold true for later cases, while it is expected that other points will help speed up the learning process of supervisory authorities.
6. Moreover, when going through the outcome of the peer review, one should bear in mind that, as a pilot, the exercise is restricted to the main steps of the validation process as set out in Annex 1 of the Guidelines, i.e. on:
 - step 3 (Model assessment),
 - step 4 (Decision), and
 - step 5 (Implementation).
7. Steps 1 (Pre-application), 2 (Formal application) and 6 (Ongoing review) were ruled out in order to concentrate on the most significant areas of the validation process. Step 6 could not be tested because the advanced approaches were only implemented on 1 January 2008.

8. The factual results of the self-assessments performed by the 27 EU banking authorities were published in June 2008 along with a summary report¹.
9. This report presents the main issues identified in the course of the review by Review Panel members performed in July 2008 (Part I) together with a series of proposals for improving the methodology for conducting peer reviews (Part II).

¹ The summary report and 27 self-assessments are published on CEBS's website and can be accessed at <http://www.c-eps.org/Review-Panel/Peer-Reviews.aspx>

Level of compliance

10. The self-assessments and the ensuing peer review highlighted that the level of observance of the Guidelines is very high among the 27 supervisory authorities surveyed, with some minor exceptions. This result can be put down to the fact that all validation processes were completed, broadly speaking, in a satisfactory way with “joint” decisions generally being made by the supervisory authorities involved, reflecting a common view and common understanding of the terms and requirements that applicant groups were required to fulfil as a condition for the authorisation.
11. In that sense supervisory authorities can be deemed broadly to have discharged their duties and to have complied with the provisions of the Guidelines in a practical and sensible manner with regards to home-host cooperation.
12. However, when drilling down into the answers provided, the picture is more nuanced. In particular, a few countries were singled out for non-compliance with a few key provisions of the Guidelines termed “assessment criteria” for the peer review exercise:
 - Step 3 – Model assessment: Germany’s good self-assessment on reporting overall progress to relevant host countries was challenged during the peer review where a few communication issues were mentioned, and the joint nature of one decision questioned.
 - Step 4 – Decision:
 - In the light of additional information gathered during the peer review, and contrary to the statements made in the self-assessments, it appeared that at least a few countries did not manage to reach decisions in a timely fashion. To differing extents Belgium, France and the United Kingdom indicated that, as home supervisors, they had not always been able to reach a joint decision within six months - delaying it up to one month (France), up to three or four months (Belgium) and up to two and a half to five months (The United Kingdom). The extended time frame needed in those cases was generally agreed with the relevant host supervisors and the institutions concerned as being the most pragmatic approach primarily to provide them with more time to comment and in some cases for the institutions to provide more information. Another country (Germany) reported seeking host supervisors’ agreement retroactively to a joint decision so as to formally meet the 6-months target. All in all the time needed to reach a joint decision appears very dependent on the number of supervisors involved and the 6-months requirement is deemed unduly challenging for large cross-border groups.

- As reflected in the self-assessments, Germany reported a few non-joint decisions (3 cases).
- Step 5 – Implementation: in their self-assessment, The Netherlands reported non-compliance with the principle of having regular exchanges of information on facts that formed the basis or prerequisites for the decision.

13. These cases should be read bearing in mind the context of the whole exercise: the scope of the review was limited to the first validation processes, i.e. the 38 validations completed/well advanced by end March 2008. All things considered, these cases were not deemed substantial enough to overrule the overall positive statement on the peer review, but do contribute to supporting the fact that the methodology of the review needs refinement. In particular the questionnaire should be designed so as to give a clear and precise picture of the processes and practices in place for implementing principles-based guidelines.

14. Lastly, the validation experience gathered highlighted that the principles provided in the Guidelines – useful as they were – turned out not to be comprehensive; a number of situations that occurred in practice had to be addressed on an *ad-hoc* basis. Review Panel members therefore support a revision of the Guidelines to provide practical specific guidance at least on the following issues (not an exhaustive list):

- i. Criteria for the assessment of the completeness of an application.*
- ii. Maximum duration for checking the completeness of an application.*
- iii. Preconditions for stopping the clock.*
- iv. Impact of timelines for national transposition and the 6-months period requirement.*
- v. Consistency between the decision and local transposition.*
- vi. Degree of reliance on institutions' self-assessments.*
- vii. Involvement of host supervisors in later phases of the roll out plan.*

I. Main issues

1. Six months period

15. The CRD allocates six months to the competent authorities to reach a joint decision, which is legally binding on the competent authorities involved and is “recognised as determinative and applied by the competent authorities in the Member States concerned” (CRD, Art.129.2 last sub-paragraph). According to Art 129 CRD, the six months clock starts on the date of the receipt of the complete application by the consolidating supervisor.
16. The Guidelines take up that provision (point 72) recommending that the clock starts upon receipt of the application when it is complete with respect to the signatory, format, content and minimum requirements set out by the consolidating supervisor taking into account the requirements set out in Section 2.2. of the Guidelines.
17. In paragraph 2.2.1.1, the Guidelines lay down the minimum content of the application specifying that “if any of these documents are not provided by the institution, or if they do not meet the standards anchored below or in more detailed standards imposed by the competent supervisor, the application will not be considered complete...” (points 52-54).
18. Moreover, point 76 of the Guidelines establishes that “the supervisor’s assessment does not necessarily have to begin only when an official application has been submitted, but could start in the pre-application phase”. All supervisors indicated they had made extensive use of this provision.
19. In their self assessments all consolidating supervisors confirmed that the joint decision was reached within the six months period. However after further inquiry, across the 38 validation cases under review, it appeared that a quarter had been slightly or more substantially delayed. Belgium, France and The United Kingdom, acting as home supervisors, were not always able to reach a decision within six months, but rather within seven months in the case of France (1 case), within nine or ten months for Belgium (2 cases) and within eight and a half to eleven months for the United Kingdom (6 cases²). In general, the authorities not meeting the six months period extended the timeframe with the relevant host authorities primarily to provide them with more time to comment. An overall consensus emerged on the fact that for large complex banking groups involving many host supervisors the six months period as set out in Art. 129 CRD was genuinely difficult to comply with, hence leading to pragmatic approaches to extend timeframes. Other supervisors (Austria, Germany) used different ways to stop the clock in cooperation with the host authorities and the institutions concerned, enabling formal compliance to take place within the 6 months requirement.

² The UK FSA reported extended timeframes for the 6 joint decisions reached by end March 2008, i.e. 8 ½ (1 case), 9 months (1 case), 10 months (1 case) and 11 months (3 cases).

20. Moreover, four issues arose that have not yet been addressed in the Guidelines. They could merit further attention with a view to seeking a common understanding within colleges and/or more detailed guidance in CEBS guidelines in order to facilitate convergent approaches at the national level.

21. These issues are the following:

- i. Criteria for the assessment of the completeness of an application (point 54 of the Guidelines).*
- ii. Maximum duration for checking the completeness of an application (points 52-54 of the Guidelines).*
- iii. Preconditions for stopping the clock (point 74 of the Guidelines).*
- iv. Impact of timelines for national transposition and the 6-months period requirement.*

i) Criteria for the assessment of the completeness of an application

22. In compliance with Art 129 CRD it appears that there is generally a common understanding amongst Member States that the clock starts on the date of the receipt of the complete application by the consolidating supervisor.

23. Nevertheless some countries reported that the actual trigger for starting the clock was the dispatch of the (latest) documents to host authorities or the date when the CRD provisions were introduced into national law. One country also mentioned that no special focus had been put on the formal starting point as preparatory discussions with the applicant and submission of documents often developed into the application process. The fact that in some countries the whole decision process took up to 20 months (starting from the receipt of the application) can be taken as an argument that there is some merit in considering the need to develop further guidance on what is meant by “minimum requirements”, taking into account that this survey builds on the very first validation cases. A convergent approach among Member States in this respect would certainly facilitate a level playing field and would also help meet industry expectations with respect to a harmonised approach towards the whole model approval process amongst Member States.

ii) Maximum duration for checking the completeness of an application

24. There is no provision in the CRD and no further specification in the Guidelines on the timeline for the completeness check to be conducted by the consolidating supervisor. Point 74 of the Guidelines only refers to the fact that “the operation of the clock is the responsibility of the consolidating supervisor which includes promptly making any change in the status of the clock known to all parties involved, including the applicant”. The Guidelines further recommend that “the timetables for the approval process should be planned and coordinated by the consolidating supervisors and agreed on by all the supervisors involved. This holds special importance where an entity in a host country is significant for the applicant or is considered of systemic importance by the host supervisor.”

25. It appears that there is a common understanding among Member States that informal dialogue before the formal application is key. However, no evidence

with respect to country specific practices could be gained through the self assessments as the pre- validation step was left out of the pilot exercise. Taking this into account, it would be helpful if the Guidelines specify that the completeness check should in principle not take too long, for instance one month.

26. As a separate point, notification to the institutions concerned - relating to the date when the six months period started – only took place in some Member States. A formal notification of the starting date would make the whole process more predictable for all the parties involved.

iii) Preconditions for stopping the clock

27. There is no provision under Art 129(2) CRD to stop the clock once a complete application has been received. However, according to the Guidelines (point 74) “a pause in the six month period may be acceptable if the applicant no longer meets the requirements for a complete application. If during its examination the supervisors discover essential deficiencies concerning the completeness of the application, it may suspend further examination of the application until the deficiencies of the application are corrected, as an alternative to rejecting the application.”
28. Even if evidence gathered so far shows that several supervisors experienced difficulties in meeting the 6 months period requirement, only two countries (Austria and Luxemburg) used the right of suspension in point 74 of the Guidelines, and in close cooperation with the host authorities. In addition, one country (Germany) informed host authorities of circumstances leading to a delay in meeting the intended deadline and in agreement with the host authorities gave retroactive effect to the decisions concerned in order formally to meet the 6 months target.
29. It appears that the informal pre-assessment process was used extensively although the rationale behind it was not covered in the questionnaire. One reason could be to avoid rejecting an application because of deficiencies in it, another could be that the possibility of stopping the clock was not included in the domestic administrative laws.
30. Though administrative laws at national level may differ, it might be useful to develop a common understanding of the preconditions (reasons, maximum time etc.) which may allow the clock to be stopped in order to achieve a harmonised approach.

iv) Impact of timelines for national transposition and the 6-months requirement

31. While the CRD allocates six months to the competent authorities to reach a joint decision, it is silent with respect to the timeline for implementation of the decision in each country.
32. The Guidelines address this issue first by making a distinction between ‘decision’ and ‘permission’, the latter being the transposition of the full content of the decision under the standing legal provisions of each country. The Guidelines go on to state that “the procedural law of the consolidating supervisor’s legislation determines the proceeding and the legal form of the

decision which shall be provided to the applicant". At the same time, they state that "the transposition of the decision will take place in accordance with the national provisions in each country and should take place shortly after the decision has been taken. In reaching a decision, the consolidating supervisor has the responsibility for coordinating a timeframe for implementing the decision, based on information on national transpositions provided by the supervisors." The Guidelines recommend that the agreed timeframe be included in the decision document. Finally, it is stated that "the Article 129(2) process ends when the decision and permission are provided to the applicant."

33. Evidence gathered so far shows that the national provisions for the implementation of a cross-border joint decision at the host jurisdiction level differ considerably between the Member States. Divergence is mostly attributable to the different systems of administrative law. In some Member States, an explicit transposition of the joint decision is required as a prerequisite for its enforceability (Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Slovakia, Slovenia and The United Kingdom) while in others the joint decision is self-executing and does not require formal transposition. In some Member States, the joint decision, while self-executing, must be formally communicated to the local subsidiary.
34. This situation may lead to the question of when the process actually ends in terms of Art 129.2 CRD: when the permission is communicated to the applicant, as stated in the Guidelines, or when transposition has occurred in all the countries where this is needed? According to the Guidelines, the transposition into national law should take place "shortly" after the decision is taken.
35. The peer review exercise highlighted that host supervisors (from countries in which the joint decision is not self-executing) take on average one to two weeks, while in a few instances more than a month may have been necessary. In some host jurisdictions, local permissions with retroactive power were issued so as not to delay unduly the implementation of the decision. However, one cannot rule out the possibility that the whole validation process could easily exceed six months even though the joint decision was taken in accordance with the time limit set out in the CRD in cases when the permissions need to be provided to the applicant's foreign subsidiaries to ensure their enforceability.
36. As the consolidating supervisor has the responsibility for coordinating the timeline for the whole process, the host supervisors should provide it with the time needed in their jurisdictions to transpose the decision into a permission if it is not self-executing. There is merit in clarifying in the Guidelines what is meant by "shortly" because national transpositions of a decision could eventually reduce the 6 months period to a significant extent. One possible option for addressing this issue practically could be to make the coordination of the timeframe for the implementation of the joint decision (for which the consolidating supervisor is responsible) the subject of college meetings. In practice, it is essential that the permission is granted to the local subsidiary no later than by the first planned reporting date under the Advanced approach.

2. Consistency of implementation of the joint decision

37. With host jurisdictions where a joint decision is not self-executing, concern was raised about the potential for deviation from the original decision document. Since local transposition is normally drawn up in a local language, it may be difficult for the consolidating supervisor to be sure of the exact wording of the permission granted in a host jurisdiction due to language barriers.
38. Consequently, a general question arises whether the CRD (and/or the Guidelines) should explicitly address the issue of possible divergence from the joint decision in the course of local transposition in the jurisdictions where transposition is necessary due to the national legal system. And if so, what mechanisms should be devised to ensure compliance with the CRD.
39. However, it has to be emphasized that based on the outcome of the peer review there was no indication that the risk of inconsistent implementation of joint decisions has in fact materialized. Besides, in line with the spirit of Article 129(2), in the host jurisdictions where the joint decision is not self-executing, the national provisions typically explicitly require the terms and conditions of the joint decision to be reflected in their transposition. The implementation timeframe and roll-out plan must also be made according to the joint decision. Therefore, the national transposition documents must directly transpose the respective joint decision and explicitly include the terms and conditions referred to in the joint decision.
40. Close cooperation between the consolidating and host supervisors prior to and during the drawing up the joint decision contributes considerably to the consistent implementation of the joint decision across jurisdictions. The usual approach adopted by the supervisors was to agree on the wording of the terms and conditions in the early stages of the formulation of the joint decision to ensure smooth local transposition. However, a translation of the local permissions could contribute to enhancing transparency and mutual trust.

3. Involvement of the host supervisors in the later phases of assessment

41. During the peer review exercise, a general issue was raised concerning the involvement of host supervisors in model assessment in situations where centralized models were rolled out at subsidiaries at a later stage. Some host supervisors were concerned that – should they have concerns about aspects of centralized models significant to them – these will not be properly taken into account since the decision to approve those models has already been made by the consolidating supervisor and the host supervisors involved in the first assessment phase.
42. It has to be borne in mind, however, that according to the Guidelines, host supervisors are mainly required to focus on the organisational aspects relating to the local implementation of centralized models. It would not be feasible to re-open the technical discussion on a model which has already been thoroughly assessed and approved. Another possibility would be to agree on a supplementary joint decision with the host supervisors concerned when the

roll-out plan comes into play. In this case the joint decision would only refer to the roll-out plan and would not reopen issues already agreed upon in the first assessment phase. The latter approach is the one followed by several Member States, such as Austria, France and Italy.

43. However, there is a legitimate concern from the point of view of host supervisors regarding a situation where a model fails to work properly at local level due to technical reasons rather than to local implementation. For instance, a centralized model may have good discriminatory power at a group level, but lack of discriminatory power at the subsidiary level. The best way to tackle that kind of issue would be to involve host supervisors in the assessment of centralized models during the first assessment phase by providing them with full documentation in order to avoid them re-opening questions on the model specifics, without prejudice to the decision making process laid down in the Directive.
44. Another possible issue concerning the later phases of roll-out is a different interpretation of the regulatory requirements and divergence in the assessment criteria used by the consolidating supervisor and by the host supervisor at a later stage. It is a reasonable expectation of a cross-border group that models implemented in different jurisdictions and rolled-out according to a different timeframe are assessed consistently by the supervisors involved. In most cases, convergence should be achievable. However, achieving convergence may be problematic in a situation where the interpretation adopted by the consolidating supervisor during the first assessment phase is not in accordance with the national provisions of the host supervisor. For instance, the interpretation of the fulfilment of the use test and the experience test requirement can diverge significantly across jurisdictions. Moreover, interpretations of the requirements concerning quantitative model validation tend to vary widely.

4. Degree of reliance on the pre-validation self assessment by the institutions

45. In general, the self-assessments provided by the institutions were reviewed by the supervisors and in this process particular elements of the self-assessments were identified for further review as part of the detailed model validation.
46. One supervisor (United Kingdom) reported that it relied in a few cases to a large extent on the self assessments made by the applicant institutions, in line with its risk-based approach. The criteria used to determine the degree of reliance included the following: the systemic risk posed by the firm concerned, the nature of the application (e.g., FIRB/AIRB), how significant the overseas operations were from a home/host perspective, the complexity of the products offered by the firm and the magnitude of the potential capital charge. Where permission (if given) would have a high impact on the supervisor's statutory objectives, the assessment carried out was generally proportionally more extensive.
47. Further consideration should be given to the appropriate level of reliance on institutions' self-assessments in the Guidelines.

5. Communication issues

48. One of the key features of smooth cross-border model validation is constant, timely and effective communication between the consolidating and the host supervisors on all major areas concerning model validation and on subsequent implementation, including remedial measures – if the joint decision so requires. Against this backdrop, a number of questions in the self-assessment questionnaire were devoted to ascertaining whether and to what extent communication flows did indeed run smoothly or whether glitches occurred, bringing about unintended consequences and affecting the effectiveness of the process (Step 3, question 8; Step 4, box B).
49. In two cases it emerged that the information flow between the consolidating supervisor (Germany) and one host authority (France) was not seamless. In one case a misunderstanding on the nature of the conditions led to a ‘non-joint’ decision to which however the host supervisor eventually consented. More frequent communication would have helped to prevent such a misunderstanding.
50. Furthermore, the Bulgarian authority, as a host supervisor competent for the supervision of a foreign indirect subsidiary, reported that it had not been fully included in the consultation process relating to a model approval organised by the German authority. This again turned out to be mainly a communication issue.
51. A related issue concerning Germany, again in its home supervisor capacity, was the use of the whole range of tools available for communicating with host supervisors. The case in point concerned college of supervisors meetings, which, contrary to what stipulated by the reporting Authority, turned out to be not the most widely used channel, in the light of the practical experience gathered by the host supervisors concerned.
52. Another case worth mentioning is the two way exchange of information between consolidating and host authorities in the implementation phase “on facts which formed the basis or prerequisites for the joint decision to be taken” (Step 5, question 3.1). All supervisors to which such a question applies bar one (The Netherlands) stated that, in whichever capacity (consolidating or host), they did provide such information, or planned to, depending on the state of implementation of validated models. The Authority answering negatively to this question clarified that this is to be put down to “no regular or frequent process” being in place in this respect as well as with regard to model implementation (roll-out monitoring, fulfilment of terms and conditions, etc.).
53. Supporting information on this question was not granular enough to test whether the affirmative answer given by most supervisors was borne out by hard evidence, thus suggesting that, in many instances, this may not have been the case. On the other hand one has to bear in mind the relatively short time elapsed since approvals were granted, which may very well explain why the cases mentioned in the questionnaire may not have materialised. Against this background, the negative answer provided by the Dutch Authority should be treated with caution.

II Lessons learnt and the way forward for CEBS peer reviews

54. The lessons learnt from the exercise can be categorised under two headings: "Peer Review Methodology" and "Adequacy of the Guidelines".

1. Peer Review Methodology

55. According to the Peer Review Methodology³, a peer review exercise consists of a self-assessment and a review by peers. Supervisory authorities are asked to self-assess their own implementation against clear "criteria" defined by the Review Panel; then, based on the same "criteria", a peer review of the self-assessments is conducted on an individual and peer comparison basis, with a view to assessing implementation and supervisory convergence.

56. On "Methodology" the test has clearly highlighted that when assessing compliance with banking supervision guidelines and regulations, a "tick-box" approach with "fixed-choice-answers" questionnaires – which has been widely used when examining the market's regulatory compliance - is not the most useful tool. In the light of the nature of banking regulation, it is more appropriate to focus on the evaluation of processes and procedures rather than on verifying whether a provision has been implemented or not. Putting it differently, what matters, and what therefore should be carefully assessed is not so much "whether" a given provision is in place (that is clearly a prerequisite) but rather on how it is implemented.

57. Against this background, the pilot exercise has actually highlighted that the method used so far may need some refinements and improvements. Amendments could be elaborated on, bearing in mind that Review Panel members should remain directly involved in each key phase of the process, including challenging the self-assessments, and building on the principles laid down below.

Self-assessment phase

58. For each survey, a dedicated drafting team composed of national experts and headed by a member of the Review Panel should be set up in order to design the self-assessment questionnaire.

59. The questionnaire and related benchmarks will need testing by another ad hoc team, which will provide tentative answers, before it is presented for endorsement by the Review Panel.

60. A workshop should be organised shortly after the final questionnaire has been circulated for completion so as to ensure that the persons drafting the answers are given some contextual and practical information to help with

³ CEBS published its Methodology for Peer Reviews on 15 October 2007. Please see <http://www.cebs.org/getdoc/984c928e-e9de-45c1-9da9-fbae739bda84/PeerreviewMethodology15102007.aspx>

filling in the questionnaire, have a common understanding of the questions and are aware of the level of detail expected.

Review by peers

61. Self-assessments will undergo a consistency check from a substance point of view in a format to be determined. Several options have been suggested in order to accomplish this delicate but essential part of the process. In particular it was deemed useful for the drafting team to organize a series of meetings with the experts responsible for completing the self-assessment questionnaires. These meetings could be organized at CEBS's offices, possibly using sessions of 2-3 countries at a time, or at the respondent authorities. Possible confidentiality issues would be addressed upfront through specific written protocols.
62. The drafting team will then produce a report, whose final outcome is the degree of compliance of each authority with the piece of regulation or guidelines assessed.
63. The Review Panel would then examine the report and discuss it with the team and the relevant supervisory authorities, and ultimately issue a final opinion on compliance.
64. Given the specific nature of peer review, it is necessary that all CEBS members are represented on the Review Panel.

2. Adequacy of the Guidelines

65. As to the "Adequacy of the Guidelines", they were gauged to be generally useful in providing general guidance on the validation process, in the light of their high-level and principles-based – and, as a consequence, flexible – features. However, they turned out to be of little help when coping with a number of specific issues that cropped up, which had to be dealt with on an ad-hoc basis between the consolidating and host supervisors (e.g. interpretation of the 6 months period, use-test and experience requirements).
66. On the other hand it is apparent that such circumstances might have been detrimental to securing a level playing field for cross-border groups, to the extent to which group-specific solutions were not weighed against a common benchmark and across validation teams to ensure comparability and equivalence.
67. The Review Panel recommends conducting a general review of the Guidelines so as to ascertain whether amendments should be made in order to address any shortcomings in terms of practical implementation. (These cannot be listed in an exhaustive way because several technical issues were left out of the scope of the pilot study.) However, as far as the issues highlighted in Part I of this report are concerned, the proposals listed below deserve further consideration.

A review of the Guidelines should help to:

- compile any more detailed standards defined by national competent supervisors and possibly consider the need to develop further guidance on what is meant by "minimum requirements";*
- clarify that the assessment of the completeness of an application should not exceed a certain period (e.g. one month);*
- recommend that a written notification is sent to the applicant when an application is deemed complete and by when the decision should be taken (six months later);*
- specify preconditions for stopping the clock;*
- clarify the possible impact of the time required for national transpositions of a decision on the 6-months period;*
- provide a common understanding of how long national transpositions are expected to take (what is meant by "shortly");*
- recommend that, when the decision is not self-executing, a translation of the local transposition should have to be provided to the consolidating supervisor in a language of common use;*
- recommend that host supervisors of entities impacted by later phases of the roll out plan should be provided with full documentation concerning centralized models during the first assessment phase; and*
- indicate minimum due diligence checks to be performed by the supervisors on top of the institutions' self-assessments.*