



CEBS – The Challenges of Supervisory Convergence

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CEBS

Committee of European
Banking Supervisors

Outline

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- CEBS
 - Role and tasks
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 - Toolbox
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- Reporting requirements
- Summary & Questions

Introduction

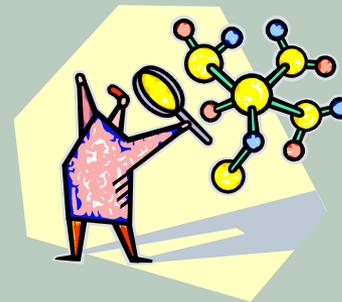
- Drivers for change in the EU banking supervision

- Regulatory framework:

- Basel II → risk-focused supervision (the CRD)
 - IAS/IFRS → harmonisation of reporting requirements
 - Lamfalussy process → new powers to Level 3 committees
 - Post FSAP → review of supervisory tools and structures

- Banking market:

- Cross-border activity
 - Consolidation
 - Centralisation of operations
 - Outsourcing of activities
 - Diversity



Introduction

- Legal vs. operational structures
 - National legal responsibilities of supervisors do not always correspond with cross-border banking structures
- Small vs. big banks
 - Level playing field: more than 8000 local banks, 40 cross-border groups with different requirements
 - Fragmented retail markets with national differences
- Related issues:
 - Deposit guarantee schemes
 - Crisis management
 - Insolvency

CEBS - Role and tasks

Members are high level representatives of supervisory authorities and central banks. The mandate of CEBS is:

- to give advice the European Commission
- to foster a common day to day implementation and application of Community legislation
- to promote supervisory co-operation and provide for the exchange of supervisory information

CEBS - Objectives

Promote safety and soundness of the European financial system by:

- adopting good international supervisory practices
- promoting an efficient approach to supervision
- contributing to better and more effective regulation

 Convergence of supervisory practices, cost-effective supervision and level playing field

CEBS - Toolbox



- Standards
- Guidelines
- Recommendations
- Public disclosure
- Training and staff exchange

Voluntary co-operation, unanimity

➔ commitment from members to implement common decisions

Work Programme

Priority areas of work

Regulatory advice to the Commission

Deposit guarantee schemes

Own funds

E-money

Convergence of supervisory practice

Supervisory Review Process (Pillar 2)

Validation of IRB and AMA systems

External Credit Assessment Institutions (ECAIs)

Harmonisation of reporting requirements

Supervisory disclosure

Co-operation and information exchange

Supervision of cross-border groups (home-host)

Crisis management (joint with the BSC)

Information exchange

Other areas of work

Risks to banking stability

Outsourcing

Internal governance

Impact of IFRS on prudential requirements

The role of the audit function for prudential supervision

Cross-sectoral issues:

Supervision of financial conglomerates

Off-shore financial centres

Delivered products

Advice: national discretions (work continues), prudential filters, cross-border mergers in banking

Consultation papers: consultation practices, outsourcing, supervisory review process, common reporting, supervisory disclosure, financial reporting.

The Challenge

Consistent implementation



Convergence in supervisory practices



Streamlining the supervisory process for cross-border groups



Effective consultations (tight timeframes for advice)



Accountability



CEBS response

Supervisory Disclosure

Common reporting requirements

Model validation

Supervisory review process

Guidelines to enhance co-operation and exchange of information between authorities

Dialogue and interaction with market participants and end-users, Consultative Panel

Transparency, Annual Report, dialogue with the Parliament

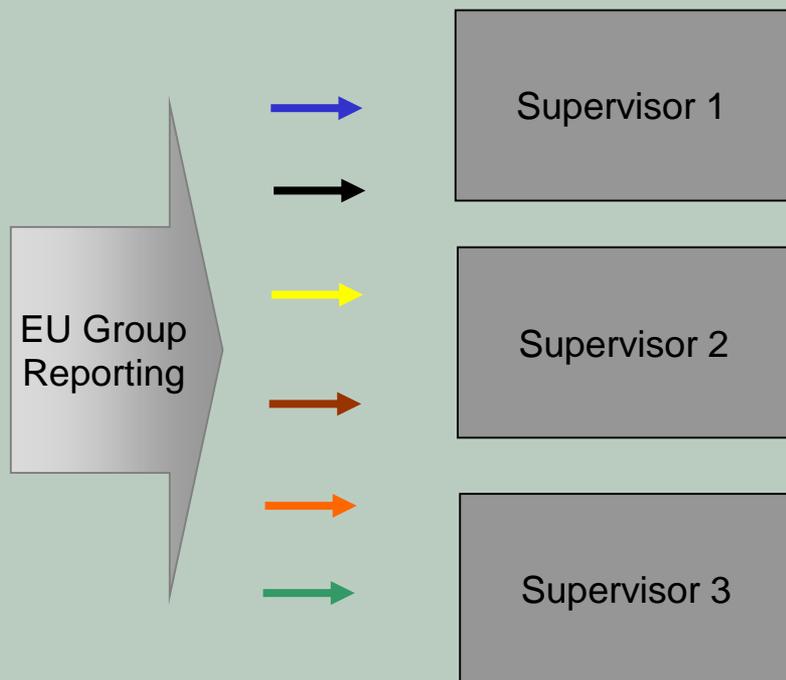
Reporting requirements

Common reporting of the solvency ratio and standardised framework for reporting of financial (IFRS) data

- Common templates and technology platform, to achieve:
 - Level playing field
 - Less administrative burden for cross-border groups (while limiting the burden for small, local banks)
 - Easier exchanges of information between supervisors
 - Recommended solution XML/XBRL

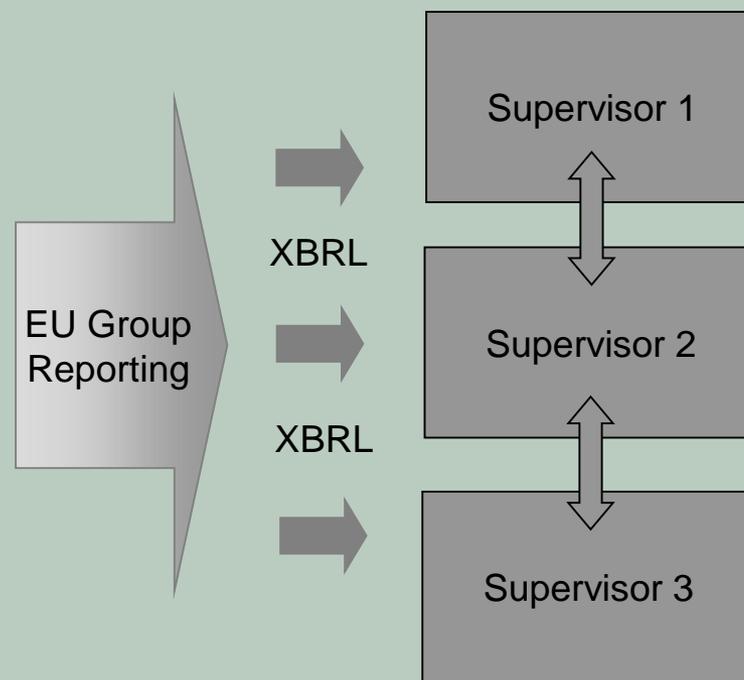
Reporting requirements

Reporting now...



Various data streams
Different reporting standards
Manual processes

and later...



Common framework
Single format
Automated data collection

Reporting requirements

Open questions:

- Degree of detail in CEBS' guidelines: how to strike the right balance with complexity vs. general use?
- National differences exist: the very simple framework not likely to become the standard → final outcome in overall reporting burden?
- XBRL-platform a tool to facilitate convergence → changes in supervisory practices?

Summary

- Clear mandate for convergence
- Comprehensive and powerful toolbox
- Full set of tools not yet tested
- CEBS working in maximum capacity to deliver
- New tools and structures considered only if current framework fails to meet its goals

Question time

Questions?

Thank you!



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