

EU-China Roundtable on Financial Services and Regulation

José María Roldán | 28 Oct 2005

CEBS

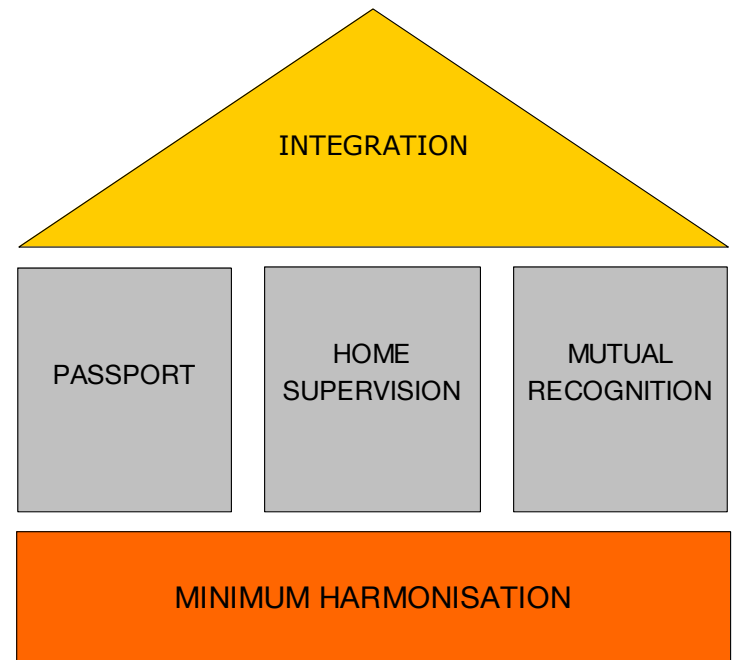
Committee of European
Banking Supervisors

Why the EU experience matters

- The EU can be seen as a kind of “laboratory” for the global financial system
 - *Increasingly globalised industry, single financial market*
 - *Nationally-based supervision*
- EU experience
 - *Supervisors have retained national sovereignty*
 - *But enhanced cooperation:*
 - More effective supervision worldwide and therefore a safer, sounder financial system
 - Greater commonality of supervision helps banks located in several countries
 - *Increasing ambitions: single market => Commission, governments, European Parliament*
 - *Complexity of the EU situation: 25 national supervisory authorities; 8000 credit institutions => 40 of which are pan-European*

The single market in banking

- Initiative to promote single market in the EU financial services sector
- Since 1992, freedom for banks to establish and operate throughout the EU (the “passport”)
- Based on minimum harmonisation of prudential rules, home supervision and mutual recognition



Making the single market work better

- The single market is now more mature => EU efforts are increasingly focusing on efficiency of supervision as a means of promoting greater integration
- Harmonised prudential rules are necessary but not sufficient to create integration
- What is needed is:
 - Convergence in their application across the EU; and
 - Cooperation between supervisors in relation to internationally active institutions
- Key role for CEBS (Committee of European Banking Supervisors) established in 2004 as part of Lamfalussy approach

Role of CEBS

Main tasks:

- to give advice to the Commission
- to promote consistent implementation of EU legislation
- to and enhance convergence of supervisory practices
- High level representatives from the banking supervisory authorities and central banks of the European Union, including the European Central Bank

Objectives:

- level playing field and less administrative burden for European banking groups
- to streamline information exchange and co-operation between supervisors
- Cost-effective and efficient supervision across Europe
- Common supervisory culture and approach
- Financial stability

CEBS functions according to the principle of consensus

Consensus is difficult to achieve, but means that decisions have moral weight

CEBS is not an executive body, but it has real power

Basel II as an opportunity

- Basel II gives us an unprecedented opportunity to promote a more consistent system of supervision
- In the EU...
 - *The creation of CEBS is a happy coincidence, as it gives us the ideal tools to harness that opportunity*
- ...And also worldwide
 - *Promoting strong standards and greater consistency in the global system*
- Basel II is based on international best practices
 - *Promotes strong regulation, strong supervision and strong markets*
 - *Incentives for improvements in risk management*
- Basel II has formed the bed-rock for CEBS' work

CEBS' Work Programme

Priority areas of work

Regulatory advice to the Commission

- Cross-border mergers in banking
- Deposit guarantee schemes (DGS)
- E-money
- Own funds

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, e-money, DGS

Consultation papers: consultation practices, outsourcing, supervisory review process, common reporting, supervisory disclosure, financial reporting, validation, ECAIs, home host

Lessons learned in CEBS

- Developing a common supervisory culture is the key to success in the medium term
- Bottom-up approach is sensible
 - Concentrating on technical issues and small questions => promoting supervisory agreement
- Cooperation is possible!
- But
 - The jury is still out
 - Only when we implement Basel II will we be sure that we are on the right track



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