



# EU-China Roundtable on Financial Services and Regulation

José María Roldán | 28 Oct 2005

**CEBS**

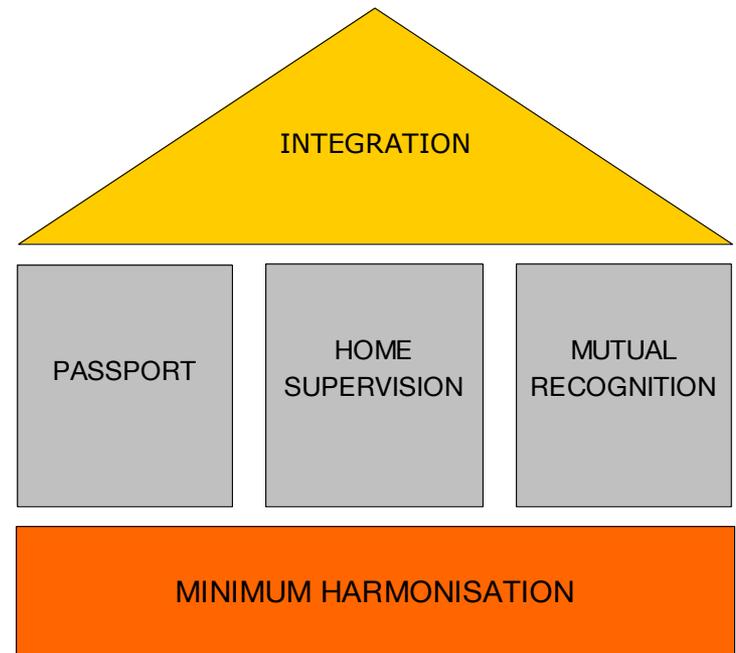
Committee of European  
Banking Supervisors

# 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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**CEBS**

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