



27 December 2007

**Template for a  
Multilateral Cooperation and Coordination Agreement  
on the Supervision of XY Group**

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## 1. Introduction

1. In accordance with Art. 131 of Directive 2006/48/EC (part of the "Capital Requirements Directive" or "CRD" ), this Multilateral Cooperation and Coordination Agreement ("the Agreement") between the competent authority responsible for supervision on a consolidated basis (hereafter referred to as the "Home authority") and the other competent authorities (hereafter jointly and severally referred to as the "Host authorities") is intended to facilitate the effective supervision of the XY Group, including the provision of operational details.

2. For the purposes of this Agreement, "Colleges" of supervisors are permanent, although flexible, structures for cooperation and coordination among the authorities responsible for and involved in the supervision of the different components of cross-border banking groups.

3. This Agreement should involve all the banking supervisory authorities included in the 'general multilateral college' of the XY Group; supervisory authorities of branches should be invited to participate, taking into account their systemic relevance and/or significance for the supervised group or in local markets. When forming the college, the Home authority and the Host authorities communicate to each other their assessment of each entity's significance/systemic relevance, and take into account each other's assessments. In consideration of the fact that entities in cross-border groups can be spread across several countries (both EEA and non-EEA), for practical reasons this Agreement may involve only the 'core college' authorities, e.g., the Home and the Host authorities responsible for the supervision of significant or systemically relevant branches and subsidiaries, from the point of view of the banking group and the local markets. In this case, the authorities undertake to extend the principles of this Agreement in a proportionate fashion to the entire college (or general college) of supervisors. By invitation of the Home authority, non-EEA supervisory authorities can be part of this Agreement, appropriately modified in order to take into account differences in legislation with respect to that of the EU (e.g., provisions on model validation and Pillar 2) and to properly address possible confidentiality constraints.

4. The following principles apply to this Agreement:

- the Agreement is consistent with the CRD and other relevant European legislation, with the applicable national laws and regulations of the authorities involved, as well as with the applicable principles issued by the Basel Committee and CEBS Guidelines;
- cooperation among the authorities takes place mainly through the college, whose organisation reflects the activities and the legal structure of the XY Group; bilateral cooperation takes place between authorities in the college for matters of relevance to the respective authorities;
- while the college does not have decision making powers, it plays a role in the coordination of supervisory activities and enhancement of supervisory cooperation;

- the principle of proportionality is applied where appropriate.
5. In accordance with Art. 129(1) of the CRD, this Agreement covers the coordination of the gathering and dissemination of essential or relevant information, the planning and coordination of supervisory activities regarding the XY Group, in going-concern as well as in emergency situations.
  6. This Agreement lays out the basis for the cooperation between the competent authorities and the practical organization of the supervisory activities on the XY Group, which include, but are not necessarily limited to, the role of the college of supervisors, the role and responsibilities of the competent authorities, information exchange among supervisors, communication with the XY Group, sharing and delegation of tasks, Basel 2 validation procedures concerning internal models for credit, market and operational risks, Supervisory Review and Evaluation Process (SREP), and crisis management.
  7. This Agreement is consistent with and complements the CEBS document on 'Range of Practices on Supervisory Colleges and Home-Host Cooperation'.
  8. Since several EU cross-border banking groups are also financial conglomerates according to EU legislation (Financial Conglomerates Directive, FCD), this Agreement can be integrated with provisions encompassing cooperation and coordination procedures for conglomerates, involving the relevant non-banking supervisory authorities. This Agreement should also be coordinated with cooperation agreements resulting from the implementation of the European Directive on markets and financial instruments.
  9. This Agreement replaces/supplements other agreements, signed between competent supervisory authorities, regarding cooperation with respect to the banking and/or investment and/or insurance activities of the XY Group.
  10. This Agreement would operate along with the Memoranda of Understanding of 2003 and 2005 on Crisis management, and the 2007 BSC-CEBS joint recommendations, stipulating provisions for cooperation and the exchange of information in crisis situations.

## **2. Objectives and principles of Cooperation**

11. The objectives of the Agreement are the following:
  - to facilitate the exchange of information, views and assessments among supervisors in order to allow for more efficient and effective consolidated and solo supervision (including the avoidance of duplication of tasks) and timely action in going concern and emergency situations;
  - to enable supervisors to develop a common understanding of the risk profile of the XY Banking Group as the starting point for risk-based supervision at both group and solo levels;
  - to achieve coordination of supervisory review and risk assessment, establish supervisory plans for the mitigation of risks, arrange any division of tasks and joint on-site supervisory visits;
  - to coordinate major decisions taken by individual authorities as far as possible and practicable and to strive to reach consensus where appropriate.

12. The authorities support each other in exercising their supervisory tasks.

### **3. Description of XY Group and identification of Competent Authorities**

#### **3.1 Description and structure of XY Banking Group**

13. XY Group is a parent credit institution/parent financial holding company in Country [A] which has subsidiaries and branches in countries [B,C, etc.], and in non-EEA countries. An organogram showing the organisational structure of the XY Group, with reference to legal entities and business lines is attached to this Agreement, as well as a description of the legal structure of all its major component institutions, the organization of the main business activities and the control and support functions of XY Group (**Annex I**).

14. [Authority A] is responsible for the coordination of the gathering and dissemination between the competent authorities of information regarding material changes in the XY Group's structure and main business activities, in application of article 129(1) CRD and annex III of this Agreement.

#### **3.2 Identification of Competent authorities**

15. This Agreement takes effect between the following authorities (hereafter jointly and separately referred to as "the Authorities")<sup>1</sup>:

- [Authority "A"] (Home Authority/ies responsible for the exercise of supervision on a consolidated basis of XY Group);
- [Authority "B"] (Host Authority/ies responsible for the exercise of supervision of local European subsidiaries on a sub-consolidated /solo basis of XY Group);
- [Authority "C"] (Host Supervisor/s of systemically relevant European branch/es of XY Group).

16. The Authorities will nominate contact persons (Contact Persons) who represent them in the activities covered by the present Agreement. A list with the details of the Contact Persons is attached to this Agreement (**Annex II**).

### **4. Confidentiality**

17. Further to the professional secrecy requirements resulting from EU or national laws and regulations or from any other legal obligations, the Authorities confirm that any confidential information shared between them shall be used only for lawful supervisory purposes of the XY Group. The transmission of information exchanges between supervisors will take into account national

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<sup>1</sup> The definition of "competent authorities" is without prejudice to the institutional setting at national level.

laws and regulations concerning bank secrecy and existing bilateral or multilateral MoUs.

18. The Authorities shall endeavour, to the extent permitted by law, to maintain the confidentiality of all information and shall not disclose information to third parties without first obtaining the prior consent of the Authority concerned.

19. The Authorities of the core non-EEA jurisdictions can be party to confidential information sharing provided that they have legislative provisions on the confidentiality of information which are equivalent to those in the relevant EU legislation.

## **5. Responsibilities of Competent authorities**

20. The [Competent Authority "A"] takes the lead in coordinating all the activities covered by the present Agreement. This Authority chairs the college of supervisors.

21. The other competent Authorities exercise their respective supervisory tasks in compliance with their national laws and regulations, and if applicable EU legislation.

22. Each competent Authority takes into account the exercise of the other competent Authorities' supervisory tasks and the objective of achieving effective and efficient supervision of the XY Group on a consolidated basis and of its entities on a solo basis. Competent Authorities undertake to share and delegate tasks, and conduct joint examinations as detailed in art. 6.3 and 6.4 below.

## **6. Cooperation in on-going supervision**

### **6.1 The College of supervisors**

23. In order to achieve the objectives of cooperation set out in para. 2 the Authorities set up a College of supervisors ("College").

24. The organisation of the College reflects the activities and the legal structure of the XY Banking Group and the risks to which it is or might be exposed.

25. The functioning of the College is normally organised in two levels, according to the activities to be carried out:

- a general multilateral level – involving all the competent Authorities – is normally used to share information on group-wide issues, for the general discussion of the overall supervisory policy and planning, or for projects interesting a large number of authorities, with their frequency to be determined on a case by case basis, but normally on an annual basis;

- a restricted multilateral level - involving a limited number of Authorities (e.g. Authorities A, B and/or C) involved in the supervision of the main activities of the XY Group ('core college') – for a more structured approach to cooperation.

Bilateral relationships, in addition to being the starting point in any cooperation approach, are used as a form of continuous dialogue between supervisory authorities.

26. The Authorities undertake to develop mechanisms for the functioning of the College, in terms of permanent duties, agreed frameworks for ongoing information exchanges and for the practical and effective implementation of the relevant European legislation and CEBS Guidelines on a consolidated and individual basis, for the division of supervisory tasks and for the risk assessment of the XY Group. In the case of a crisis, the College facilitates the smooth exchange of information and cooperation among authorities.

27. The College is the first place in which to strive for agreement among the Authorities in case of divergent views regarding the application of EU legislation and CEBS Guidelines to a matter related to the supervision of the group in a cross-border context. Within the College, the Authorities review whenever necessary the arrangements, strategies, processes and mechanisms implemented by the XY Group to comply with relevant laws and regulations and evaluate the major risks to which the XY Group is or might be exposed on a solo and on a consolidated basis.

28. Further details on the functioning and organisation of the College may be specified in an Annex to this Agreement (Other annexes: **Annex I**).

## **6.2 Information exchange among authorities**

29. The Authorities exchange information to ensure effective and efficient supervision of the XY Group. Information exchange is consistent with the requirements of art. 132 of the CRD and other relevant legislation.

30. Information is exchanged actively between competent Authorities (a balanced two-way process), and the information exchanged will reflect the needs of the Authorities involved. The exchange of information also aims at avoiding duplication of tasks and of requests to different entities of the XY Group.

31. Authority A serves as the central hub for the gathering and dissemination of information.

32. The practical means of information exchanges are decided on the basis of a flexible framework and on a case-by-case basis. For the exchange of highly sensitive information the Authorities are committed to using secure channels.

33. Details on the frequency of the exchange of information, the essential and relevant information to be exchanged, the language of communication, the means of communication, and the types of information available from other competent Authorities may be further specified in an Annex (Other annexes: **Annex II**).

### 6.3 Sharing and delegation of tasks<sup>2</sup>

34. The competent Authorities rely on each other for the exercise of supervisory tasks. A clear division of tasks among supervisors may be agreed within the College. Each supervisor performs the tasks for which it is best placed. Supervisors may also agree on principles which define the manner of the fulfilment of the delegated tasks. Delegation of supervisory responsibility between Authorities may also be considered.

35. Supervisors can share and delegate tasks to each other (provided there are no constraints concerning delegation in national laws), thus contributing to more efficient and effective cross-border supervision. In addition to informal delegation within the College, tasks can be formally delegated from [Authority "A"] to host supervisors or vice versa.

36. These arrangements may include the delegation of the supervision of branches' liquidity management to the consolidating supervisor, as well as the division and delegation of tasks with respect to model validation or other supervisory processes or tasks, taking into account which Authority is best placed to conduct a specific task.

37. Further details regarding tasks potentially subject to delegation may be attached to this Agreement (Other annexes: **Annex III**).

### 6.4 On-site examinations

38. The Authorities agree that their co-operation is particularly useful in the field of on-site inspections. Risk assessment of the parent company of XY Group or of any entity in the XY Group may also be carried out in the form of a joint on-site examination.

39. The Authorities make efforts to have a co-ordinated inspection programme regarding the XY Group and its main legal entities, in order to have a clear, group-wide picture of its position and operations and to avoid duplication.

40. The coordination of inspection programs is the responsibility of [Authority "A"].

41. Joint on-site examinations are conducted according to the following principles:

- [Authority "A"] may participate in an examination carried out by any of the Host authorities, provided this is permitted by national laws;
- competent Host authorities may participate in examinations of the parent company for matters that are of interest for the supervision of the local subsidiary or branch, provided this is permitted by national laws;
- any request for joint on-site examinations is agreed upon case by case by the relevant supervisors;

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<sup>2</sup> This section will be reformulated and expanded following the work of CEBS on delegation.

- in relation to the supervised institution, each supervisor participating in such an inspection is allowed to perform it with reference to the powers entrusted to it by the applicable laws.

42. Findings of common relevance are discussed between the relevant Authorities. The College is informed of relevant developments at its next meeting at the latest, and sooner if necessary. This information may include the purpose of the joint on-site examination, its main findings and supervisory decisions and any corrective measures taken.

## **6.5 Communication with the XY Group**

43. An active dialogue between the Authorities and the XY Group and its subsidiaries/branches will be established. The College agrees on the types of information to be communicated to the entire Group for matters involving various supervisors. The arrangements undertaken among Authorities for the supervision of the XY Group (e.g., the general modalities of organization of supervision, division of tasks, etc.), such as those encompassed in this Agreement, are communicated to the Group in a form agreed upon by the College.

44. [Authority "A"] is responsible for communication with the XY Group, including the main findings of the supervisory review at a group level and any agreed views. Conveyance of this information may involve a multilateral meeting between the consolidating and host supervisors and the senior management of the firm.

45. The other Authorities are responsible for communication with the entities on which they carry out supervisory activities. In particular, they should communicate the measures to be applied at solo and sub-consolidated level.

46. Based on a common decision, XY Group may be invited to attend the College meetings to present its position regarding the issues under consideration.

## **6.6 Internal model validation process**

47. The Authorities will work together, in full consultation, to determine whether to grant, alter or withdraw permission to/from the XY Group to use internal models for credit, market and operational risks for regulatory purposes. [Authority "A"] is responsible for the coordination of all the activities related to the validation of internal models: a) validation process, b) exchange of information among supervisors and communication to the XY Group, c) decision, and d) on-going review. An illustration of the interaction among the authorities in the above-mentioned phases is set out in **Annex III**.

## 6.7 SREP process<sup>3</sup>

48. The authorities undertake to cooperate in the conduct of the Supervisory Review and Evaluation Process at both consolidated and solo/sub-consolidated levels. In particular, [Authority A] is responsible for coordinating and synchronising, as far as possible and practicable, the SREP across the XY Group. An illustration of the cooperation process and respective undertakings of the authorities is contained in **Annex IV**.

## 7. Cooperation in crisis situations

### 7.1 General aspects of cooperation in crisis situations

49. The Competent Authorities identified in 3.2 are responsible for assessing whether a crisis situation is affecting the institution under their supervision. Moreover, they assess the potential impact of the crisis on their respective financial systems and the possible contagion channels to other countries.

50. Competent Authorities participating in the college will cooperate closely in a crisis situation, in order to facilitate the actions and the timely decision making process of the authorities responsible for the management and resolution of the crisis.

51. Competent Authorities will cooperate closely, whenever necessary, with other relevant Authorities (central banks and/or finance ministries) involved in the crisis management process.

52. In light of the above, the Authority A will coordinate crisis management activities, encouraging the exchange of information and seeking to achieve consistency in the decision-making process. The views and assessments of the authorities responsible for the supervision of the banking systems likely to be most affected by the crisis should be adequately taken into account by the Authority A. Coordination is without prejudice to the responsibilities of the authorities involved.

### 7.2 Information sharing

53. During the regular supervision and review process of the XY Group (as indicated in Section 6.7), the competent Authorities take into account the main possible sources of vulnerabilities, plausible crisis scenarios and analyse possible contagion mechanisms.

54. In the case of a crisis, the competent Authorities in the College will update and share their respective crisis assessments and all essential and relevant pieces of information that they consider useful, such as, for example, the results of on-site inspections.

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<sup>3</sup> This section will be expanded following the work of CEBS.

55. In the case of a crisis affecting the stability of the financial system of any of the countries where the XY Group has subsidiaries or significant branches, the competent Authorities will involve in the crisis management process the relevant central banks and/or finance ministries if relevant.

56. In the exchange of information, competent Authorities should balance between timeliness and proportionality. They should not expect requests for information which is hard to obtain to be processed in times of crisis. However, requests for information should be answered with the most up-to-date information available. It is up to these authorities to decide what is to be considered proportionate for the purpose of the management of the specific crisis.

### **7.3 Crisis management preparatory arrangements during normal times**

57. For the purpose of smooth information sharing in crisis situations, the competent Authorities will work on a common analytical set of basic data, including updated financial and non-financial information on the banking group including, but not limited to, information about structure and business activities, financial position, capital and funding structure, etc. This dataset could be structured relying on the list contained in the annex to the 2007 BSC-CEBS joint recommendations. Obstacles to information exchange and confidentiality safeguards should be looked into and worked out by the competent Authorities.

58. In order to strengthen their preparation to deal with a real crisis, during normal times competent Authorities in cooperation with other relevant Authorities, if necessary, should:

- i) check the capacity of the banking group to produce and provide the pieces of information needed in a crisis in a timely manner given the constraints;
- ii) exchange views on the availability of the existing supervisory toolkit for managing cross-border financial crisis;
- iii) define internal contingency plans, in order to better understand the respective tasks in a crisis;
- iv) devise the infrastructure for cross-border information exchange;
- v) develop cooperation procedures with other relevant Authorities likely to be involved in the management of a crisis situation;
- vi) identify the persons to be placed in a contact list for emergencies if different from the members of the College (contact lists should be consistent with contact lists in MoUs on the same subject);
- vii) conduct simulation exercises when needed.

#### **7.4 Communication between competent authorities and to other relevant authorities in emergency situations**

59. Where an emergency situation arises at a subsidiary of XY Group which potentially jeopardises the safety and soundness of the subsidiary or XY Group, the [Authority B, C] shall alert as soon as practicable the [Authority A].

60. Where an emergency situation arises within XY Group which potentially jeopardises the safety and soundness of a subsidiary in any of the Member States, the [Authority A] shall alert as soon as practicable the [Authorities B, C] responsible for the exercise of supervision for that subsidiary.

61. Where an emergency situation arises within XY Group which is present via its branch structure in other countries and which can have an impact on the stability of the financial system there, the [Authority A] shall alert as soon as practicable the supervisory authorities in those other countries.

62. Where the emergency situation potentially affects the stability of the financial system in any of the Member States where entities of XY Group have been authorised, the competent Authorities, where appropriate, shall inform as soon as practicable other relevant Authorities.

63. A list of group specific analytical information to be prepared in normal times and to be exchanged, if necessary, for crisis management purposes, can be added in an annex at the discretion of the competent Authorities signing the Agreement (Other annexes: **Annex V**).

#### **7.5 Communication to the public**

64. The competent Authorities will endeavour to coordinate their external communication of crisis-related information and to set-up internal procedures for communication. In normal times, exchange of views regarding the communication strategy can take place; in crisis situations, they will identify all relevant stakeholders and harmonize, where possible and appropriate, the timing and content of the information to be released to the market and the public.

### **8. Final provisions**

65. The Home authority and any other Authority signing the Agreement commit to apply its provisions until any of them communicates in writing, [x months] in advance, its wish to discontinue it.

66. The Authorities shall revise and update the Annexes to this Agreement when necessary to appropriately reflect major changes in the overall structure of XY Group and the risks undertaken, or changes in their cooperation procedures.

67. The Agreement is drafted in English [or in a language agreed among the Authorities]. Where necessary, each Authority is responsible for translation into its own language.

68. It is recommended to publish this Agreement on the respective Authorities' websites. This Agreement will be published on CEBS' website.

## **Annexes**

### **Annex I – Description of the XY Banking Group**

[Organogram, structure of the group, ...]

### **Annex II – List of Contact Persons**

### **Annex III – Internal model validation process**

1. This annex illustrates the cooperation among the authorities in the various phases of the process of internal model validation (validation; exchange of information; decision).

*a) Validation*

2. The Authorities, in accordance with Art. 129(2) of the CRD, will agree on the following topics:

(a) timetable;

(b) division of tasks;

(c) supervisory criteria and tools;

(d) completeness of the application package considering both home and host supervisors requirements;

(e) administrative proceedings.

3. The College procedures apply in both pre-validation, validation and post-validation phases.

4. A clear division of tasks among supervisors is normally agreed within the College, or among subsets of authorities where appropriate, during the pre-validation phase. Each supervisor performs the tasks for which it is best placed.

5. A clear, detailed and agreed timetable for the supervisory activities related to the Basel II validation process concerning internal models is prepared, involving all the Authorities in order to achieve an efficient allocation of resources. The timetable covers the pre-approval, the approval and, if necessary, the post-approval phases (for example, in cases of authorisation with conditions).

6. The Authorities agree that the pre-application phase is a useful period in which to gain a picture of the methods and procedures planned to be applied by the XY Group, to assess the preparedness of the Group, to identify controversial issues between the Authorities and/or between the Authorities and the XY Group, and to strive to reach a common understanding – or convergence, as the case may be - on these issues. In order to achieve this result, the Authorities work together in full consultation from the beginning of the pre-validation process.

7. The responsibilities of supervisors follow the responsibilities they have over legal entities belonging to the XY Group.

8. In the case of centrally developed models that are applied across the banking group (group-wide models), [Authority "A"] leads the work and host supervisors can join the work if agreed; in case of models developed and/or managed by a single legal entity – other than the parent institution – that are applied across the XY Group, [Authority "A"] and the other relevant Authorities carry out the work jointly.

9. The approval work of locally developed and applied models is led by the supervisory authority of the entity of the XY Group that developed and apply these models. Depending on specific circumstances, such as the materiality of the Group's operations covered by local methods, either [Authority "A"] may ask to actively participate in the approval work led by the host supervisor or the other Authorities may ask [Authority "A"] to take part in the approval process. The legally responsible host supervisor leads the approval work; the main issues to be verified are: testing of models on local portfolios, use test, experience test, integration of methods in the processes of the Group, support by the Group's IT infrastructure, control environment, understanding and expertise on the central models to be applied locally among the subsidiaries' staff members and management.

10. The Authorities agree on supervisory criteria and tools to be used in the assessment of the models. These will include a set of minimum requirements to be verified as well as a common set of criteria and principles to assess them. For the local implementation of group-wide models, the Authorities – under the coordination of [Authority "A"] – agree on a set of such guidelines or criteria, in order to have a common framework for the supervisory assessment throughout the XY Group.

11. All supervisory tools and procedures provided in national jurisdictions can be used for validation purposes, including on-site supervisory visits.

12. The minimum application package is widely consulted on within the College in all its details, including practical issues surrounding the assessment of its completeness.

13. Where necessary, [Authority "A"]'s application package is integrated with the questions/requirements of the host supervisors involved in the joint decision. The documents are written in the language agreed by supervisors.

14. The Authorities also agree on the administrative proceedings of the authorisation process: the formal representation of the final decision, its communication to the XY Group, and the arrangements for agreement by all the Authorities involved.

*b) Exchange of information among supervisors and communication to the XY Group*

15. As far as model validation is concerned, [Authority "A"] triggers the initial communication. The other Authorities are fully involved from the beginning of the first contacts between [Authority "A"] and the XY Group.

16. Core information is shared within the College or among the supervisors involved. All the Authorities within the College agree on a list of core information.

17. Host supervisors which are not involved in the first close cooperation process (e.g., supervisors of subsidiaries included in the 'roll-out' plan of model

validation) are extensively involved in the process of information exchange. These supervisors are invited to multilateral meetings and provided with written documentation before their direct involvement.

18. The College reports back to the Group the findings of the supervisory assessment, whenever it is deemed necessary.

*c) Decision*

19. The Authorities shall do everything within their power to reach a joint decision on the application within six months. This joint decision is set out in a document containing the fully reasoned decision which shall be provided to the applicant by [Authority "A"].

20. Before the end of the six months period, the host supervisors involved express their view formally to [Authority "A"]. If the models are considered to be qualified for approval Authority A will then issue permission to the parent company taking into account the observations of the other Authorities and the possible conditions which might be attached to the decision.

21. In the absence of a joint decision between the Authorities within six months, [Authority "A"] makes its own decision on the application.

22. The decision is set out in a document containing the fully reasoned decision and shall take into account the views and reservations of the other competent Authorities expressed during the six months period. The decision is recognised as determinative and will be applied by the competent Authorities in the Member States concerned.

#### **Annex IV Supervisory Review and Evaluation Process (SREP)**

1. This annex illustrates the cooperation process and respective undertakings of the authorities in the coordination of the SREP across the group.

2. [Authority "A"] is responsible for coordinating and synchronising, as far as possible and practicable, the SREP across the XY Group. This responsibility includes coordinating the following activities:

- development of efficient and effective co-operative arrangements;
- risk identification and assessment;
- planning of supervisory actions;
- performance of tasks;
- timing of ICAAP submissions;
- follow-up actions towards the XY Group and its legal entities;
- monitoring the progress on achieving the agreed objectives.

3. The authorities acknowledge that the ICAAP belongs to the institution; therefore the activities carried out are not aimed at prescribing a certain ICAAP methodology.

4. The SREP takes into consideration the internal organisation of the XY Group, such as the degree of cross-border integration of business lines or

support and control functions. It also takes into account the systemic importance of the entities of the supervised group for the local market.

5. The Authorities cooperate within the College on the ICAAP review. In particular, they should endeavour to ensure that information requests to central and local levels of the XY Group are as synchronised and integrated as possible and that information is made available to all the Authorities involved. Within their cooperation, the Authorities shall strive to reach agreement on common or similar reference dates for requests to the XY Group for the submission of an ICAAP at single entity and consolidated level, in order to ensure the comparability and consistency of ICAAP information and reduce the supervisory burden.

6. An overall SREP including a risk assessment (generally updated on an annual basis) serves as the basis for the planning of supervisory action at the consolidated level. All competent Authorities shall contribute to the SREP under the coordination of [Authority A].

7. At consolidated level, the dialogue on the ICAAP and the presentation of the conclusions of the SREP for the XY Group are taken care of by [Authority "A"], possibly with the participation of other competent Authorities.

8. At local level, host authorities are responsible for the SREP of the local ICAAP. Each authority's review and evaluation of the fulfilment of ICAAP requirements feeds into the overall SREP process. In performing the SREP at local level, the host supervisors should take into account the characteristics of the framework under which the SREP at group level has been developed. The supervisory activities at local level are taken into consideration in the supervisory plan at consolidated level.

9. The Authorities shall cooperate with one another with the intention of ensuring a common understanding of overall Pillar 2 issues, on a group-wide and solo basis, and a coherent follow-up to the outcome of the SREP assessment. In particular, within the college the Authorities will discuss the XY Group's approach to the various aspects of Pillar 2, such as concentration, liquidity and interest rate risks, economic capital modelling, diversification and stress testing. They will also discuss aspects related to the reporting requirements of the XY Group.

10. For the successful cross-border implementation of Pillar 2 the Authorities expect local bank management to be adequately involved and empowered to discharge their duties in relation to the ICAAP. However, the Authorities will not require the XY Group to develop stand-alone quantitative capital models for each foreign subsidiary, provided that, in the Authorities' view, the subsidiary's business and risks are taken into account in the Group's model and assumptions in a prudent and sound way. The assessment of capital adequacy for each foreign subsidiary of the XY Group by the competent Host Authorities will not be different to that for local banks, but foreign subsidiaries may place greater reliance on global measurement and management tools in a manner appropriate and consistent with local market characteristics.

11. Within the College the Authorities review and evaluate the risks to which the XY Group and its subsidiaries/branches are or might be exposed. The review comprises at least the following areas: overall strategy; capital position and planning; major risk drivers.

## **Other Annexes<sup>4</sup>**

### **I – Organisation of the College**

#### **II – Exchange of information among supervisors: further operational details**

[Frequency; essential and relevant information; language; means of communication; types of information obtainable from other competent Authorities, thus avoiding duplication of requests.]

#### **III – List of tasks subject to delegation**

#### **IV – Practical aspects regarding Pillar 2**

#### **V - List of group specific analytical information to be prepared in normal times and to be exchanged, if necessary, for crisis management purposes**

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<sup>4</sup> Illustrative texts regarding these annexes could be developed in the future in light of the experience with the application of the template, or may be specified by national supervisory authorities.