



**1 November 2005**

## **Feedback to the Consultation on CP05**

1. CEBS published its fifth consultation paper on a common framework for supervisory disclosure (CP05) in March 2005. The consultation period ended on 24 June 2005. Thirteen responses were received, all of which were published on the CEBS website.
2. This paper presents a summary of the key points arising from the consultation and the changes made to address them. It includes an annex reflecting CEBS' views on the detailed public comments.
3. For the purposes of assessing the comments received, CEBS has distinguished between:
  - General comments on key issues relating to the concept and content of the supervisory disclosure framework and responses to the questions put forward in CP05.
  - More technical comments which aim at improving the templates of the tables of information.
4. The summary in the table also distinguishes between comments made by a majority of respondents and those raised by only one or two respondents.
5. In general, the responses were very positive. The industry as a whole welcomed CEBS' proposed guidelines for implementing in a coordinated way a common European framework for the Capital Requirement Directive's (CRD) disclosure requirements. There was also a good deal of support for the clarity of the framework's objectives and the principles on which it is based. Useful answers were put forward to the four questions raised in CP05. All respondents agreed that the framework allows for a meaningful comparison of approaches to the CRD across Europe, and they have explained thoroughly how they intend to use it. Proposals for additional disclosure and possible improvements of the mechanics of the websites have also been set out.
6. In light of this response, CEBS does not propose significant changes in the framework. Calls for more information have been incorporated as long as they do not jeopardise the objective of easy comparability of approaches across EU countries. Therefore a step-by-step balanced approach has been favoured to allow the framework and the disclosure practices to adapt in a timely fashion.

7. CEBS agrees that sharing its supervisory disclosure initiative with third-countries' supervisors in the future would promote a valuable cross-reading of the implementation of Basel II on a global scale.
8. On the main technical comments, the tables for statistical data have been streamlined, and definitions – e.g. on-site inspections - have been clarified. Further improvements have been made with regard to the Internet mechanics of the framework, and new functionalities – e.g. subscribed email alert, mention of the latest updates - have been added to reflect the comments received. The website demo has been amended accordingly (see. [www.cebs.org/SD/SDTF.htm](http://www.cebs.org/SD/SDTF.htm)).
9. Some of the points raised by the respondents – e.g. the disclosure of the updated list of national discretions and options - will be soon addressed when reviewing the framework based on the final version of the CRD. Moreover, it should be noted that since March 2005, CEBS has continued its work on some areas likely to be disclosed under Article 144 of the CRD, publishing consultation papers on the supervisory review process and model validation to name a few. This process is still on-going. The framework will therefore be reviewed in due course.

## CEBS' analysis of responses to CP05

Text CP05  (Cross reference to the related paragraph and/or part of the web-based framework)	Received Comments  (summarised)	CEBS Analysis	New text  (Cross reference to the amended paragraph and/or amended part of the web-based framework)  N/R = not required
<b>General Remarks</b>			
	CEBS' proposal has taken up many of the suggestions that the industry conveyed when commenting the Draft Capital Requirements Directive (CRD). It is seen as another example of increasingly close and constructive co-operation between the Lamfalussy bodies and the industry.	N/R	N/R
	Importance of supervisory disclosure in the move towards: -a more qualitative approach to supervision -more transparency -convergence in practices -an effective transposition of the new capital adequacy framework -an enhanced public trust in banking supervision -an enhanced level playing field -a useful tool to eliminate inconsistencies in European regulatory supervision by encouraging cooperation among	N/R	N/R

	<p>supervisors and convergence</p> <p>-a tool to identify best practices and sound principles for supervision</p>		
	<p>Comprehensive and complete structure of the presentation covers all relevant issues, the proposed content enables comparison, the framework is based on adequate principles</p> <p>Framework well thought</p>	N/R	N/R
Para 15	<p>A high level of interaction between industry and supervisors will be necessary to promote greater transparency on the part of supervisors. (See below on the review)</p>	<p>The review process, the national web-pages of FAQs when available, the user's feedback function via the contact details list are tools to be used for supervisors and market participants to interact.</p>	N/R
<b>International comparison</b>			
	<p>Most of the respondents found it desirable to extend this supervisory disclosure initiative to the international arena over time. Some suggested exploring this possibility within the context of the broader Regulatory Dialogue as proposed in the Commission's Green Paper on Financial Policy (2005-2010).</p> <p>Detailed suggestions encompass:</p> <ul style="list-style-type: none"> <li>- conduct a comparison between the supervisory rules and implementation requirements in the EU and those of non-EU countries,</li> <li>- initiate projects with competent authorities in the major Basel Committee member countries (such as the USA and Japan) and Australia. One respondent proposed to start with the 'Rules and guidance' part of the framework.</li> <li>- allow other regulators to post disclosures on CEBS website on a voluntary basis.</li> </ul>	<p>CEBS welcomes the proposal to share its initiative with non-EU countries which are naturally invited to join on a voluntary basis. This could take place in the context of international fora or bilateral relationships, such as the EU-US transatlantic dialogue.</p>	N/R
<b>Principles</b>			

<p>Neutrality of the framework Para 25 i.</p>	<p>A validation of the information is needed. Given CEBS' coordinating role in the Supervisory Disclosure framework, the validation should be conducted by CEBS. (See 'the review of the framework' below)</p>	<p>The national competent authorities are solely responsible for the quality of the information disclosed and provided to CEBS.</p>	<p>N/R</p>
<p>Language Para 13 and 25 ii.</p>	<p>Most of the respondents found that the disclosure texts and documents on the national websites to be made in English on a best-efforts basis insufficient. Proposals encompass:</p> <ul style="list-style-type: none"> <li>-Efforts should be made to have English disclosures available without delay</li> <li>-all texts and documents should be made available in English. If professional external translation services are used, this is feasible by the entry into force at the beginning of 2007.</li> <li>-Supervisors should work on translating all aspects of their disclosure internet sites and combine this with a disclaimer such as the one provided by CEBS as an example.</li> <li>- Supervisors should commit to making all texts and documents available in English as soon as possible, especially the parts on national discretions and on Pillar 2.</li> </ul> <p>The information which is meant to allow comparisons (summaries, comparative tables, manner in which national options and discretions are exercised...) should be provided in English as a priority.</p>	<p>It has been deemed more important to have the information disclosed and displayed, should it be in the national language, rather than to delay the publication because of the translation burden.</p> <p>CEBS believes that translating on a best-efforts basis is actually more ambitious than putting a precise date that will be in effect the date of the "slowest" country. Anyway, market discipline is expected to play an important role in this respect.</p>	<p>N/R</p>
<p>Confidentiality principle Para 25 iii and 99</p>	<p>-in the case of highly concentrated national banking markets, strict principles should be followed to make sure that non-public information cannot be deducted from aggregate information disclosed by competent authorities.</p> <ul style="list-style-type: none"> <li>-The statement that supervisory measures taken against individual credit institutions may not be disclosed by the supervisory authority should include 'groups' of credit institutions. (see also para 12)</li> <li>-The statistical data may not only allow no conclusions on institution-specific data but no conclusions either on data of the individual member institutions in case of a disclosure of</li> </ul>	<p>According to the confidentiality principle, no supervisory actions or decisions directed at specific institutions will be disclosed.</p>	<p>N/R</p>

	<p>aggregated data on decentralised sectors.</p> <p>-The framework should take into consideration banks with special tasks which are statutorily covered by a confidentiality clause.</p> <p>-One respondent sought confirmation that where data is not disclosed by the firm under Pillar 3 for reasons of commercial confidentiality and/or materiality, it would not be necessary to provide such data for inclusion in supervisory disclosure.</p>	<p>To the extent that any data to be disclosed in the framework is subject to the materiality/confidentiality waiver, institutions are not liable to provide non material/confidential information for the sole purpose of supervisory disclosure.</p>	
<p>Confidentiality principle</p> <p>Para 25 iii and 99</p>	<p>-Some respondents point out that checks and balances need to be in place so that it can be determined whether supervisors are making excessive use of the confidentiality principle.</p> <p>-CEBS should ensure that supervisors develop a convergent policy in this respect and that the overall aim of transparency is not undermined.</p> <p>Suggestions on how to proceed include:</p> <p>-members should report every case of use of the confidentiality waiver to CEBS</p> <p>-CEBS should publish a regular overview of use of the confidentiality waiver by Member States</p> <p>-CEBS should ensure that each supervisory authority publishes guidelines on how it intends to avoid disclosing information which could jeopardise the privacy of individual institutions and when it intends to use this waiver</p>	<p>National competent authorities retain sole responsibility for determining when information may not be disclosed because of a potential breach of confidentiality.</p> <p>CEBS believes that market discipline will constitute some sort of watch dog in this respect.</p> <p>With regard to the 'statistical data' part, CEBS believes it would be useful to use a standardised index in case there would be an empty cell. This would give the reader an indication why a certain cell has not been filled in. The index to be used for empty cells of all tables is:</p> <p>C: confidential; N/M: not material; N/A: not available.</p>	<p>See new para 99</p>
<p>Resource efficiency</p>	<p>Most of the respondents supported that the supervisory disclose should not require additional reporting burden for institutions.</p>	<p>N/R</p>	<p>N/R</p>

Para 25 iv. Para 93 and 94	With regard to the statistical data, no respondent contradicted the use of COREP for collecting the data.		
Proportionality Para 26	Two respondents asked for greater clarity as to how the principle will be applied.  All the information related to 'rules and guidance', 'options and national discretions', (at least as a priority) and 'supervisory review' should be disclosed.	All Member States are legally required to disclose the four sections of Article 144 of the CRD and to this end will use the CEBS supervisory disclosure framework. However, the content of the disclosure for smaller jurisdictions would not necessarily be as broad as that of the larger ones	N/R
Flexibility Para 26	For one respondent, the objectives pursued by Article 144 will not be achieved by imposing strict rules on competent authorities or for that matter on supervised institutions. Rather, a flexible framework, which encourages cooperation, dialogue and mutual understanding between the different national competent authorities, is much more likely to bring about true benefits. Flexibility is also necessary to make sure that the framework functions in the long run.	N/R	N/R
<b>Implementation and updating</b>			
The implementation date Para 100 and 102	Some respondents agreed or did not provide any comment on the proposed implementation date. Some others would favour an earlier implementation: all relevant information available at this point and at any stage before the implementation of the CRD should be made publicly available to facilitate implementation processes within banks.  -If the CRD is finalised prior to completion of the guidelines for implementing the guidelines the framework, an implementation date should be disclosed. The value of the framework will be at its peak in the period prior to the implementation of the CRD.  -CEBS should implement the framework as soon as national regulators make available their rules and guidance rather than wait for finalisation in all Member States. Same holds true for the 'statistical data' part. Respondents advocated that	End 2006- mid 2008 for the statistical data- should remain the target date for implementing the framework.  An earlier implementation date, in the middle of the implementation of the CRD itself, might lead to unnecessary confusion and prove burdensome. This does not override, nor conflict with the current national disclosure practices.	N/R

	<p>institutions would particularly like early sight of regulators' approaches to national discretions</p> <p>-As soon as an informal agreement on the draft regulation is reached, the document should be published. It would be wrong to wait for the documents to be officially approved.</p>		
<p>The update Para 103 and 104</p>	<p>1-Most of the respondents found that updating the disclosures of the qualitative information at least once a year is not sufficient.</p> <p>Suggestions include:</p> <ul style="list-style-type: none"> <li>- Legal rules, regulations and decisions on national options to be updated on an on-going basis</li> <li>- Information such as new or changed legislation, change in the use of national discretions, new CEBS agreements, etc. should be made available swiftly on a prompt and continuous basis.</li> </ul> <p>-Updates to occur at every important change.</p> <p>2-It is important for supervisors to indicate very clearly a reference date as of which the published information is valid. Information on the update of the disclosure should be made available in an appropriate form to users.</p> <p>Suggestions on how to proceed include:</p> <ul style="list-style-type: none"> <li>-Indicate the last up-date by using date fields in the tables so that it is possible to determine when the last update occurred for a particular national authority</li> <li>- create an email alert to any update and give the possibility to select the areas/disclosed elements for which notifications should be sent</li> <li>- withdraw outdated information</li> <li>- All the new disclosures should be flagged in a consolidated document on a quarterly basis.</li> </ul> <p>3-The responsibilities of updating should be clarified. Some respondents proposed the updating should be monitored by</p>	<p>The Supervisory Disclosure framework should remain neutral and should not bear on the national updating practices. Moreover, it remains within the national supervisors' responsibility to update the information according to their national practices and at least once a year at set out in Para 103 of CP 05</p> <p>As indicated in para 105, if the structure relies on hyperlinks between webpages, any updates made to a national website should automatically result in updating the CEBS website. Should there be no automatic update, national authorities will be responsible for notifying CEBS when an update of information contained in the national part of the supervisory disclosure framework is made. Accordingly, the general principle should be that any national update triggers an update of the CEBS website.</p> <p>In the front page of each of the current 4 sections (Rules and guidance, Options and national discretions, Supervisory review, Statistical data), a list of updates will be displayed (see website demo) based on the information (latest</p>	<p>See new para 106 and 107 and the updated website demo.</p>



	<p>CEBS</p> <p>The 'procedure' proposed by CEBS (paragraph 104) to update the CEBS website when a national site is changed is a simple and straightforward solution.</p>	<p>update and link to the webpage) national authorities send to CEBS.</p> <p>CEBS proposes to install an E-mail alert system whereby an e-mail alert is sent to subscribers each time a section in the Supervisory Disclosure framework on the CEBS website is updated.</p> <p>Users can select which information to subscribe from seven options:</p> <p>All alerts CEBS news and press releases Supervisory Disclosure generally Rules and guidance Options and national discretions Supervisory review Statistical data</p>	
<b>The review of the framework</b>			
<p>Para 25.v. and Part V</p>	<p>Regular monitoring by CEBS is necessary, with a view to improving it and making it match the needs of supervisors and market participants. At the same time, the interlinking between websites, the necessity of frequent updates and the preparation of the documents for disclosure will be a demanding task, requiring an intensive and complex website-management. While the availability of adequate resources for these purposes will be a precondition for its success, the cost-benefit ratio of the project will have to be monitored as well. This will also need a strong management of the review and the updating.</p> <p>1-Content of the review</p> <p>-Regulators should be required to assess the accuracy of the data at minimum on a quarterly basis. Confirmation of this</p>	<p>1-CEBS' annual review of the framework is intended to be a fact-finding and stock taking exercise to monitor whether the required information is provided and disclosed.</p> <p>The overall structure and the format of the framework have been designed to be simple and flexible enough to be adapted within a reasonable time schedule.</p> <p>2-Update. See analysis above.</p> <p>3 and 4- User feedback will be an</p>	<p>N/R</p>

	<p>assessment should also be made available on the website.</p> <ul style="list-style-type: none"> <li>-Improving the framework also includes identifying and removing possible administrative burdens that may arise, although not intended initially.</li> <li>-CEBS should monitor continuously the quality of processing and the publication of the information, e.g. ensuring that consistent collation is used as to make the information comparable. In this context, CEBS should not only be responsible for the upkeep of the website, but also for ensuring that the interpretation of the Common Reporting Framework is sufficiently consistent to ensure that the information on the SDF is fully comparable across the EU.</li> <li>-It must be ensured that all cross-references and links between national pages and the CEBS website function smoothly. Responsibility for maintaining this must be clearly allocated to CEBS.</li> <li>-CEBS should be responsible for permanently monitoring the quality and regularly updating the data.</li> <li>-Some validation of the data must be ensured.</li> </ul> <p>2- The framework's success depends crucially on the data being carefully and regularly updated. CEBS should consider developing action plans if significant differences in interpretation and implementation become evident or/and if certain supervisors are delaying disclosure or if the published information is incomplete. One respondent would suggest that supervisors not meeting their obligations be required to disclose any delay with a justification within the disclosure framework.</p> <p>3- On-going feedback should be sought from users, particularly during the initial phases of implementation. Resulting amendments and improvements should be made to the framework in a timely manner.</p> <p>The users of the framework should be consulted and their views considered when assessing whether the framework</p>	<p>important part in the future development of the website functions. Users will be able to send feedback to the CEBS Communications Officer by e-mail via the contact details list posted on the CEBS website.</p> <p>Whether a review of the Supervisory Disclosure framework should be conducted on a yearly basis, e.g. by publishing an open questionnaire on the CEBS website to all users asking comments for further improvement, will be considered in due course.</p>	
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	<p>facilitates meaningful comparison.</p> <p>Based on the analyses of the disclosed information, users will identify areas of particular concern and inform CEBS of their findings. CEBS should then hold an ad-hoc meeting and decide on a set of measures to be taken.</p> <p>4-A review of the framework is needed in the future, based on the experience gathered and on the feedback provided by supervisors and market participants alike, e.g. after a period of one or 2 years, to correct some difficulties that cannot be foreseen today. Such a review should take into account the industry views, via any public consultation on the issue.</p>		
<b>Meaningful comparison (see CP05 Question#1)</b>			
	<p>All respondents indicated that the proposed framework allows for a meaningful comparison. This will have to be confirmed when it is up and running.</p> <p>One respondent has identified the risks that the framework lead to a 'race to the top' between competent authorities, whereby all supervisors would copy the authority with the most stringent rules. Supervisory convergence should not mean convergence towards a level of supervision with the highest reporting requirements in each area.</p>	N/R	N/R
<b>Additional disclosure (see CP05 Question#2)</b>			
	<p>To most of the respondents, the framework has struck the right balance between both qualitative and quantitative information. The framework provides with specific guidelines on what must be disclosed and prevents the amount and quality of information from varying too much between member states.</p> <p>However one respondent pointed out the risk of 'information overload' which may occur as a result of para 30, which can make it difficult to distinguish important information from accessory information. Regular reviews will be needed to assess the reality of such a risk.</p>	N/R	N/R

<p>Scope Para 10 and 30</p>	<p>Most of the respondents did not oppose the proposed scope.</p> <ul style="list-style-type: none"> <li>-A respondent was keen to see the Trading Book Review incorporated within the framework as soon as possible.</li> <li>-A respondent supported the extension of the framework to elements of the CRD that have not been part of the Basel Review, such as capital</li> </ul>	<p>The extension of the scope of the framework will be considered in due course.</p>	<p>N/R</p>
	<p>A respondent proposed including consultative material already during the transitory period. A clear-cut line between advisory and consultative regulations and finalised regulations would be needed to prevent confusion.</p>	<p>As already commented above, an earlier implementation of the supervisory disclosure framework may lead to confusion. Moreover, CEBS fears information and updating overload would lead to an unmanageable burden at this point in time. This does not conflict with national disclosure or consultation practices.</p>	<p>N/R</p>
<p>Rules and guidance Para 49</p>	<ul style="list-style-type: none"> <li>-All guidance relating to the CRD implementation, including informal guidance, should be disclosed. No information asymmetry should occur.</li> <li>-Consultative documents should also be disclosed</li> <li>-Apart from the national discretions, a large number of differences may emerge when it comes to implementing the CRD, especially with regard to rules which are uniformly transposed into national law, but differently interpreted by supervisors. CEBS should complement the framework with a section on differing interpretations and practice of national regulators in important areas, such as partial use, use test, conditions for approval of IRB Approaches</li> <li>-Additional information should be included to identify EU commonalities. If the majority of the 25 member states agree on a particular kind of application or interpretation, this should be specified and labelled as a "majority standard" both in the tables and in a separate table on the CEBS website. This would allow a quick overview of the degree of convergence in a certain area. Supervisors applying a</li> </ul>	<p>CP05 already encourages national competent authorities to the widest disclosure possible of the rules and guidance, whatever their form and to the extent they are of a general range: e.g. instructions, methodological notes, administrative notices, informal documents, circulars or consultative papers. However, for the framework to remain user-friendly and manageable, comprehensiveness should not be envisaged without consideration of the materiality of disclosed information.</p> <p>Interpretations of the CRD will be contained in national guidance, while the EU "majority standard", or rather consensus, will be provided through CEBS guidelines.</p>	<p>N/R</p>

	<p>different standard could easily be identified. This disclosure would allow to put 'peer group pressure' to persuade diverging member states into joining the common approach.</p> <p>-CEBS should drive the future work plan for convergence in the EU. One important spin off will be in monitoring, and analysing, both nationally and across the EU, the take up of the various approaches within the framework for both credit and operational risk. A step-by-step plan aimed at levelling the differences in the interpretation is also proposed. On the basis of a quarterly follow-up, one should see whether there has been any harmonisation and, if not, measures must be taken in order to achieve that aim.</p>	<p>This is likely to be the case for provisions raising interpretative issues in the field of model validation: CP10 will provide "EU standard" to e.g. permanent partial use, while guidance released on national websites will precise the different approaches adopted in EU countries (refer to the table on model validation).</p> <p>Moreover, providing interpretations under a dedicated format would be time consuming and resource demanding, especially in terms of updating.</p> <p>As mentioned in para 17, it is expected that enhanced disclosure will help to promote a level playing field in the EU by fostering convergence in European practices.</p>	
<p>Disclosure on the validation of Advanced Approaches Para 57</p>	<p>-EU credit institutions look forward to being provided with clear and comprehensive information in this area</p> <p>- A high level overview of the grounds for non-acceptance of applications to advanced approaches, without breaking the confidentiality principle, would assist the consistency in the approaches adopted and in the basis for decisions.</p> <p>- major rules adopted by individual countries should be presented on the CEBS website. At least, a summary of the national guidelines should be published on the CEBS website.</p>	<p>No comment</p> <p>The disclosure of "positive" national guidance in the field of model approval is deemed sufficient, bearing in mind that final decisions will contain group-specific as well as country-specific terms and conditions. It would be also difficult to capture all the grounds for non-acceptance.</p> <p>This would be achieved through the table related to "model approval" put on the CEBS website: each Member State will fill their respective column by incorporating descriptive</p>	<p>N/R</p>

		comments regarding the application process.	
	A respondent suggested adding a page with a collection of solid and comparative external documents and studies –to the extent that this is allowed by copyright laws- to promote the general perception of important findings and the public discussion of regulatory and supervisory issues.	CEBS welcomes the proposal and will consider it in due course, as a possible improvement.	N/R
<b>Annex II</b>	<p>The proposed set of data to be disclosed is sufficient. It allows interested parties to measure the impact of the CRD in concrete terms.</p> <p>Suggestions included:</p> <ul style="list-style-type: none"> <li>-Where comparable pre-Basel II (Basel I) statistical data are available, this should also be disclosed to aid comparisons between Basel I and Basel II figures (e.g. aggregated capital ratios)</li> <li>- Once the Supervisory Disclosure framework has been running for at least a year, the number of “hits” in the various segments of the site should be monitored and the menu of information tailored accordingly.</li> <li>- The framework should provide with the number/percentage of firms that have applied for the advanced approaches for credit risk and operational risk.</li> <li>-The statistical data disclosed in the section on supervisory actions and measures must be interpreted in their over-all context. For example, the number of on-site inspections is closely related to the structure of the respective banking</li> </ul>	<p>A comparison between Basel I and Basel II figures may not allow for meaningful comparisons (different data bases) as outlined in Article 144 of the CRD. Accordingly, data from institutions that are still under the Basel I framework in 2007, will not be included in the tables.</p> <p>This will be considered in due course.</p> <p>CEBS has provided data on the number of institutions that use the different approaches for credit risk and operational risk. CEBS feels that the suggested additional disclosure could lead to a breach of confidentiality in many countries.</p> <p>The definition of `# on-site</p>	<p>See para 100 and Annex II</p> <p>The definition # 50 in</p>

	<p>environment. It should not be automatically understood as a sign of "better" or more careful supervision.</p> <p>One respondent favoured the non-disclosure of the number of on-site inspections. Another suggested having a more precise definition of on-site inspections and overall assessments (responsibility, scope and extent of on-site inspections)</p>	<p><i>inspections'</i> in Annex II is amended and the following footnote is inserted to the Pillar 2 data table :</p> <p>"Due to differences in national regulations as well as in supervisory practices and approaches across the Member States (see Part IV. B. 3. "Supervisory Review" of the Framework for Supervisory Disclosure) the figures provided in this template might not be fully comparable between countries and before drawing any conclusions these differences should be carefully considered "</p>	<p>Annex II '# of on-site inspections' is: ' This refers to predefined examinations, conducted within the institution either by the supervisors' own staff or external auditors with a view to:</p> <ul style="list-style-type: none"> <li>• providing independent verification that adequate internal governance (including risk management and internal control systems) exists at individual banks;</li> <li>• determining that information provided by banks is reliable;</li> <li>• obtaining additional information needed to assess the condition of the bank.</li> </ul> <p>It does not include other supervisory contact on-site, such as visits. It does however include regular on-site inspections.</p>
<p>Data on investment firms Para 98</p>	<p>Investment firms' data should be disclosed as the CRD applies equally to them. The proportionality principle embodied in Para 26 should protect confidentiality</p>	<p>Investment firms' data will be disclosed, subject to the confidentiality principle.</p>	<p>Former Para 98 has been deleted. The templates have been modified to make it clear that investment firms' data are to be disclosed.</p>
<p><b>Use of the framework-(see Question#3)</b></p>			

	<ul style="list-style-type: none"> <li>-source of information for banking associations when addressing queries from their members</li> <li>-allow the creation of some sort of check list of terms whose definitions vary from one country to another.</li> <li>-contribute to identify the national discretions that distort competition and go against the level playing field.</li> <li>-examine the implementation of legislation across Member States and compare regulatory approaches to issues such as model validation and national discretions</li> <li>-the disclosed set of data enables to compare the share of institutions applying the Standardised and Advanced Approaches, to evaluate whether applying a certain approach leads to more capital relief, to identify member states which are above or below the average regulatory capital.</li> <li>-disclosing historical data will allow the analysis of the evolution of regulatory capital over time</li> <li>-examine the statistical data relating to approaches to credit risk and operational risk</li> <li>-essential tool in banks' implementation plans</li> <li>-Means to explain to senior management the reasons for the differences in implementation across the group</li> <li>-Internationally active banks would use it to understand how legislation is implemented in the different EU Member States. Banks intend to compare rules relating to model validation, as well as national discretions.</li> <li>-Monitor and analyse, both within and beyond the EU, the take-up of the more advanced credit risk approaches (AIRBA and AMA) and to compare it with the continued use of the Standardised Approach.</li> <li>- monitor the use of the different approaches to measure operational risk, as well as the number of model waivers.</li> </ul> <p>For smaller banks, it will be useful to examine in general the</p>	N/R	N/R
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	<p>impact that the more sophisticated credit and operational risk methodologies have on the banking sector's approach to risk taking and risk mitigation.</p> <p>-An important tool to trigger scientific research in the field of supervisory law and standards. It could be used as a knowledge base for supervisors for training and research purposes on both domestic and foreign systems.</p>		
<b>Mechanics of the website-(see Question#4)</b>			
Para 32	<p>-The choice of the format is adequate given the need to present two levels of information.</p> <p>- The two-tier architecture seems to be the right compromise if a good degree of consistency between all 26 websites can be achieved.</p> <p>- Full support for the use of hyperlinks and the attempt to store to the maximum extent possible an item of information in just one site, either at the CEBS level or at the national level. Actually, preventing the duplication of information is the best way to make sure that no erroneous or contradictory information is published.</p>	N/R	N/R
Part IV.A	<p>Navigation seems to be easy and user-friendly. Smooth functionality should be assured in the future, given that the amount of pages to be linked will increase significantly.</p> <p>Suggestions for a smooth use of the framework encompass:</p> <p>-Include an index to facilitate a swift access to information, e.g. with reference to articles of the CRD</p> <p>-Add a 'search function'</p> <p>-explore the possibility of creating a database of CRD</p>	<p>The 'Search function' which already exists in the CEBS website includes the Supervisory Disclosure section. The search can be done on the whole site or Supervisory Disclosure section only. It allows the user to search the website with key words. (See website demo)</p>	See website demo.

	<p>definitions and a (reverse) audit trail</p> <ul style="list-style-type: none"> <li>-keep at a minimum the amount of text in the individual cells for ease of viewing, with links to separate pages or a 'read more' option provided when necessary</li> <li>-use a format that allows the information to be easily extracted and used for internal processing by users, e.g. format such as Excel. Excel sheets can be password protected to guarantee their integrity. This has been stressed by most of the respondents.</li> <li>-fix the column and row headers so that a user scrolling through the tables always knows the title of the information being examined</li> <li>-Set up link to national websites to take users straight to the CRD implementation information rather than the home page</li> <li>- Inclusion of a user-comment facility so that users can provide feedback on how the framework is working, both in terms of timeliness of update and clarity of disclosure. (see above)</li> </ul>	<p>This will be considered in due course.</p> <p>The competent authorities should keep the text in the cells as short as possible (max. 250 characters) for the CEBS website and insert a <i>Read more</i> -link for further information, at their national level.</p> <p>Excel sheets will be used</p> <p>As shown in the website demo, the national websites' webpages dedicated to supervisory disclosure are linked with the CEBS website's web-pages dedicated to the supervisory disclosure.</p> <p>The users can send feedback on the framework to the CEBS Communications Officer by e-mail via the contact details list posted on the CEBS website.</p>	
<b>Technical comments</b>			
	The language used in the item descriptions in the tables should match as far as possible that used in the Directives.	Consistency will be checked with the final version of the CRD	N/R
<b>Rules and Guidance</b>			
Templates 'laws, regulations and	-The Parallel viewing of CRD references and the corresponding national legislation references will facilitate consultation of the	No comment The purpose here would be to link	N/R

<p>administrative rules(Directives 2000/12/EC and 93/6/EEC)'</p>	<p>various texts. -Link articles of the CRD on the CEBS website to national laws and regulations.</p>	<p>provisions of the CRD containing a national discretion to their adaptation into national rules. The adaptation of national discretions into national regulation would be provided using the templates relative to national options and discretions.</p>	
<p>ECAIs recognition  Para 51 to 53 and Table 'ECAIs recognition'</p>	<p>-Indicate the market segment for which the ECAI has been recognised eligible  -Disclose clearly the methodology used for eligibility recognition -Leave some space for possible additional comments  -State clearly what 'mutual recognition' refers to.  -Amend the table to enable a more precise presentation of the methodology of evaluation applied by the individual evaluating institutions  -The table should mention a specific approach as for ECAI</p>	<p>An additional heading ("market segment") has been incorporated into the proposed template and a distinction has been introduced between "public finance", "commercial entities" and "structured finance".  No comment A line has been added to the proposed template.  Mutual recognition, replaced by the CRD wording 'indirect recognition' is defined in Para 52 of CP05. A footnote has been added to the proposed template for the sake of clarity.  More precise presentation will be provided using the links to national methodologies, as well as to CEBS guidelines (which are work in progress).  CEBS guidelines and national methodologies will be disclosed and accessible via the CEBS website. The CRD does not require supervisors to disclose individual recognition processes -that are applied to a particular ECAI- but only the list of</p>	<p>Para 52 is complemented as follows: "Competent authorities will indicate the main market segments for which the ECAIs have been recognised : "public finance", "commercial entities" (including corporate and financial companies) and/or "structured finance" (including securitisation).</p>

	<p>-Include the mapping tables by asset class</p> <p>-More detailed information is needed on the respective treatment of ECAI ratings: specify the factors that are considered in the recognition decision and how credit ratings are mapped to credit quality steps.</p>	<p>eligible ECAIs.</p> <p>Based on CEBS CP07 (para124) relative to the recognition of External Credit Assessment Institutions, this is not necessary: "as long as an ECAI uses the same rating scale (i.e the same interpretation of the different rating categories) for their broad asset classes, the mapping need not to be conducted separately".</p> <p>This will be provided using the links to national methodologies, as well as to the relevant CEBS guidelines.</p>	
<p>Template 'Guidance for Model validation'</p>	<p>-specify in the left-hand column the exact reference of the CRD the rows refer to</p> <p>- The table for AMA has not yet been published</p> <p>- change 'model' by 'approach'</p>	<p>The table will be revised to include CRD references and to be in line with the guidance provided by CEBS CP10 (including for AMA).</p> <p>This drafting comment has been taken on board in the template.</p>	<p>Para 58 and 59 to be revised since CEBS issued for public consultation draft guidelines on model validation in July 2005.</p> <p>See Template 'Guidance for Model validation'</p>
<p>Template 'Guidance for Model Approval'</p> <p>Para 57</p>	<p>- clarify that only general information about the approval process will be disclosed, but no specific detailed comments regarding separate applications</p> <p>-Recommend an outline clarifying the areas to be covered by the explanation or, alternatively, giving an example of fulfilment.</p>	<p>This comment is taken on board.</p> <p>The table will be revised to be in line with the guidance provided by CEBS CP10 (including for AMA), which will serve as a reference to clarify the expected content.</p>	<p>Para 57 : 'information' is replaced by "general information"</p>
<p>Template 'Slotting criteria'</p> <p>Para 54</p>	<p>-include one more row for a short comment where the criteria differ from the Basel Text (Annex IV)</p> <p>-enlarge the types of responses: not only Yes or No, but also 'partially'. This also applies to the other tables</p>	<p>The table is amended accordingly.</p> <p>The table has been modified accordingly.</p>	<p>See Template 'Slotting criteria'</p>

<p>Templates 'Additional information'</p> <p>Para 60</p>	<p>Respondents suggested supplementing the lists by publishing the general criteria that helped to draw up the list, the indicative list resulting of this process, the necessity to update the list when a new name has been added.</p> <p>-List of core market participants: Should the final version CRD get rid off the discretion, it won't be necessary to disclose the table.</p> <p>-List of PSEs: No need to publish lists of inter-municipal utility companies as counterparties, but instead the criteria these entities must meet should be specified.</p> <p>- no need to publish lists of Public Sector Entities that are risk-weighted like central governments. Instead, the framework should disclose the general criteria with which these entities must comply in each Member State to be eligible for the preferential treatment.</p>	<p>As mentioned in Para 60 of CP05, CEBS is considering requiring the publication of certain lists to support convergence in practice. The outcome of this work could result in the publication of general criteria, instead or together with a list of names, especially with respect to PSEs risk weighted preferentially. The final template will have to be adjusted to the outcome of CEBS work in this area.</p> <p>Similarly, the tables will have to be reviewed depending on the final text of the CRD: the list of core market participants might indeed not be relevant in this respect.</p>	<p>N/R</p>
<p>FAQs facility</p> <p>Para 61</p>	<p>-provide a discussion-communication platform for the interested parties to exchange opinions between supervised entities and supervisors</p> <p>- Add links from the main tables to corresponding non-legal recommendations (e.g. answers to FAQs, consultative documents...)</p>	<p>The interaction between users of the supervisory disclosure framework and the supervisors is already ensured via the contact details page.</p> <p>It will be up to the national competent authorities to determine whether links to non-legal recommendations should be provided.</p>	<p>N/R</p>
<b>National Discretions</b>			
<p>Table of national discretions</p> <p>Para 63</p>	<p>-Given that it is sometimes felt that there is a lack of clarity in the area of national options and discretions, respondents look forward to the publication by CEBS of a new version of its tables.</p> <p>- Some respondents encourage supervisors to disclose short comments on why an option or national discretion has been implemented/ chosen (e.g. due to local market conditions).</p>	<p>The list of national discretions will be updated with the final version of the CRD.</p> <p>This suggestion is perceived to go beyond Article 144 and the spirit of the disclosure exercise. The CRD does not require supervisors to disclose the whys of a national discretion but</p>	<p>N/R</p>

	<p>- Add specific factual disclosure on where national authorities have implemented something different to the requirements of the CRD.</p> <p>Ex: the decision to require firms to hold 75% rather than 50% of the voting rights for a subsidiary to be eligible for consolidation.</p>	<p>rather the hows. In addition, supervisors may not always be in a position to give such details as some of these options and discretions may be imposed by legislative or other administrative bodies.</p> <p>Whether a country is more stringent is worth stressing. The framework is a tool for the industry to identify itself the cases of superequivalence. However, superequivalence issues are not entirely analogous to formal options and discretions and thus may not fit well in the existing framework. An alternative solution or supplementary measure may be needed and attention will be paid in due course.</p>	
<p>Table of national discretions</p> <p>Para 68</p>	<p>Some respondents found it useful to disclose which discretions and options can be exercised by the institutions. This would bring clarity as to whether the authorities or the banks have to exercise an option or discretion. One respondent suggested starting with the disclosure of options that are used by 100% of the industry.</p>	<p>CEBS believes that the disclosure of options and national discretions in a comparative format is useful because it gives comparative information on the possibility given to Member States to implement different policies. On the contrary, options granted to institutions are the same across the EU and are contained in the CRD.</p>	N/R
<p>The mutual recognition tables</p>	<p>-There should be a disclosure as for the mutual recognition of some particular options by the Member States</p> <p>-In order to make this table more user friendly, it might be useful to incorporate into the mechanics of this website the option of extracting the user's own table (selection of which</p>	<p>The mutual recognition table will be filled in for each provision where the CRD explicitly grants the mutual recognition.</p> <p>Excel files should allow the users to do it.</p> <p>Whether a new possibility such as 'N/A' should be introduced to reflect the cases where there is absolutely no</p>	N/R

	<p>home and host countries should be shown in the table of mutual recognition).</p> <p>-If a country is not in the position of home supervisor, there is a question as to whether it is meaningful to determine mutual recognition of all other national discretions. It would be beneficial to allow a wider choice of possible answers in order to indicate where countries are not in the position of home or host supervisor for a particular country.</p>	<p>issue – i.e. no relationship between the countries at all- could lead to unnecessary confusion: a given country may grant mutual recognition for potential future operations with another country, even if there are currently no actual links,</p>	
<b>Supervisory Review</b>			
Para 70 to 89	<p>One respondent made the following comment:</p> <p>-Disclosure is a possible way to avoid an overly prescriptive approach to Pillar 2: the level of certainty is enhanced and it helps institutions to understand better the approach of their supervisor without burdening them with excessively detailed requirements</p> <p>- the proportionality principle is important in this area – both for supervisors and for supervised institutions. With regard to credit institutions, it is appropriate to take account of the nature, scale and complexity of the activities of the institution concerned.</p> <p>- Clear and comprehensive information on the supervisors’ criteria and methodologies will be particularly helpful.</p>	<p>The framework shall consider this specification as it is closely interlinked with CP03 (SRP).</p> <p>The importance of proportionality is explicitly stressed in Para 80</p> <p>It is indeed the intention to be clear and comprehensive on criteria and methodology for supervisory review.</p>	N/R
<b>Statistical Data</b>			
Part B-4	<p>More precise definitions are needed:</p> <p>-clarify the use of consolidated or unconsolidated data: for the first template, the residency basis is suggested, but for supervisory purposes, this concept is not normally used and the data in the rest of the templates do not correspond with the first template.</p> <p>-Some parts of the credit risk template seem too detailed for disclosure, especially the data on the mitigation type and</p>	<p>The ‘national banking sectors’ data – first table- is calculated on a residential basis, unlike the data under the heading ‘total capital and risk weighted assets of credit institutions in EU countries’ which are declared on a national consolidated basis.</p>	<p>In Annex II:</p> <p>Former definitions #28,31,32,33,34,35,36,37 in Annex II have been deleted. Definition of Asset classes (see # 26) has been further specified.</p> <p>The table ‘Data on Credit</p>

	<p>approach: only data relating to the approach used for the different risks, own fund requirements and exposure by classes, should be disclosed.</p> <p>-clarify what “financial collateral advanced method” means. This term is not used in the recasting of Directive 2000/12/EC. If it is not possible to gain this information from the proposed COREP templates, requiring such information would mean another burden on banks.</p> <p>-When data fields require total amounts rather than percentages, a currency field should be included.</p> <p>-Add links to supervisors’ specific rules of presentation and comments on the range and terms of data tabulation.</p> <p>- Add a column indicating the total data for the EU as a whole (i.e. sum of data in each row where possible)</p>	<p>The distribution by CRM technique is deleted.</p> <p>The term is deleted</p> <p>All currency data will be expressed in EUR</p> <p>The tables are based on the definitions and data calculation of COREP. They will be revisited when the CEBS’ work on Common Reporting is finalised.</p> <p>The statistical data set will be available in EXCEL format. It is left up to the user to extract the data for his own purpose.</p>	<p>Risk’ has been streamlined.</p>
<p>Template ‘Data on National banking sectors’</p>	<p>-Include an additional row under the caption ‘total capital and risk weighted assets of credit institutions in EU countries’ and display ‘total capital’ as defined in Annex II, para 14 of CP05.</p> <p>- A more detailed definition of the concept of ‘general information on the national banking sectors’ should be provided. Such information should not contain aggregate data of e.g. the risk profiles of individual member institutions such as ‘total credit risk sector X or total value adjustments or similar sensitive data that are exclusively made available to the supervisors.</p>	<p>No comment</p> <p>The proposal on the concept of general information has to be clarified. The only information the section ‘data national banking sectors’ refers to, is displayed in the proposed template. There is no disclosure of risk profiles of an individual institutions nor disclosure of data related to specific ‘sector’</p>	<p>N/R</p>
<p>Template ‘Data related to credit risk’</p>	<p>-amend the table to incorporate the exposure classes which not only correspond to the IRB approach to credit risk, but also to the Standardised Approach.</p>	<p>CEBS believes that the exposure classes used are defined broadly enough to achieve the highest degree</p>	<p>N/R</p>



	-A respondent considered whether a split between retail exposures to individuals and those to SMEs should be disclosed as this may create an additional reporting burden for institutions.	of commonality between the IRB and SA approach, while at the same time keeping the data manageable.  CEBS does not intend to split the retail portfolio into SME and non-SME.	
<b>Contact Details page</b>			
Para 44	<p>Making public the name of a contact person for each CEBS member will help to increase the interactions between competent authorities and market participants, and will accordingly facilitate the regular review of the framework. More generally, including a page with detailed contact information will help to enhance the credibility of CEBS' initiative in the area of supervisory disclosure.</p> <p>One respondent proposes to arrange a general address for this purpose in every country where all questions would be collected and then distributed to the responsible persons instead of using individual persons' email address.</p>	Para 44 states that the framework provides flexibility to national competent authorities for entering additional information of the contact person (such as personal e-mail addresses, direct telephone and fax numbers) or general contact information (e.g., the organisation's or functional e-mail address and switchboard number).	N/R