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The Deputy Director General

November 7th, 2005

FBF RESPONSE ON GUIDELINES FOR COOPERATION BETWEEN CONSOLIDATING SUPERVISORS AND HOST SUPERVISORS CP09

Dear Mr Roldan,

The French Banking Federation (FBF) welcomes the opportunity to comment on CEBS consultation document about the cooperation between consolidating supervisors and host supervisors.

We welcome the objectives of CEBS to continue to work towards convergence and closer coordination between supervisors. We agree with CEBS to look for appropriate measures for the organisation of the home / host relationship and we consider this proposal as the first step of an ongoing process regarding the review of the level of implementation application of the CRD scheduled in the coming five years.

We would like, with our following general remarks, to contribute to a consistent and practical implementation of the home / host relationship for banking industry :

- The efficiency of the proposal is limited by the current situation related to unresolved subjects as:
 - The lender of last resort function
 - The crisis management provisions
 - The liquidity treatment
 - The deposit insurance schemes (at a less level)
- There is practically no difference between the requirements for home supervisor and host supervisors despite the fact that the consolidating supervisor would have a major role whereas the host supervisor requirements should be in addition to those of the home supervisor and not come as a duplication.

Mr José Maria ROLDAN

Chairman

Committee of European Banking Supervisors

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- As for many consultations of CEBS, these proposals sum up the requirements of supervisors whether they are home or host. This is not consistent with the introductory principle: "Communication and information should be proportionate and risk-focused, to avoid unnecessary flow".
- CEBS proposes in paragraph 8 to give to the consolidating supervisor the major role in the definition of the relationship with host supervisors. CEBS based the proposal on different concepts that have to be better specified (materiality, significance, systemic relevance).
- FBF urges CEBS to consider that the host supervisor should always direct its information requests about the whole group to the consolidating supervisor and should be in relationship with subsidiaries or branches on specific points only regarding its local market. The supervisory disclosure should have an essential role in this context and CEBS should have a crucial part in this process.

FBF thinks that to promote transparency in the global supervision within a group, a qualification certificate should be established between the consolidating supervisor and the other supervisors. This contract would define the full details of the relationships between the consolidating supervisor - who has the global view of the group - and the host supervisors who work at a lower level (less requirements than the consolidating supervisor).

Please find our specific remarks in the attached annex.

Yours sincerely,



Pierre de Lauzun



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Specific remarks

Are there any changes not mentioned here that you deem significantly impacting on the European financial sector and, in particular, on the supervision of cross border banking groups?

FBF would like to be sure that the cooperation between the consolidating supervisor and the host supervisors does not bring a disadvantage vis-à-vis the competitors in other jurisdictions through increased complexity of regulation at a European level. Moreover, CEBS should integrate the review of the level of application of the CRD, forecasted by 2010.

What are your views on the description of the respective interests and roles of consolidating and local supervisors within the proposed framework?

FBF does not see significant differences between the consolidating supervisor requirements and the local supervisor ones. FBF considers that the consolidating supervisor should be the highest level of supervision. The tasks of each participant in case of difficulties between supervisors are not defined because the different levels are not recognised and differentiated. There should be a clear role for the consolidating supervisor in managing the process when a disagreement occurs. A qualification certificate could be established between the consolidating supervisor and the other supervisors.

Do you see major risks for duplication of tasks under the proposed framework? If yes, which are these?

FBF believes that it is difficult to know how the relationships between supervisors and the industry will be managed in practice.

There are lacks of clarity on:

- structuring items like materiality, significance, systemic relevance,
- interpretation of the relationships between supervisors particularly in the exchange of information,
- national discretions.

All these uncertainties could result in duplication of information which will be burdensome for both the industry and the supervisors themselves. Moreover, the descriptive framework is too much detailed and not really different between home and host supervisors.