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Committee of European Banking Supervisors
Floor 18, Tower 42
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London EC2N 1HQ

23 June 2005

EAPB Position on CEBS Consultation Paper on the Framework for Supervisory Disclosure (CP05)

Dear Madam,
Dear Sir,

The European Association of Public Banks (EAPB) represents the interests of 19 public banks, funding agencies and associations of public banks throughout Europe, which together represent some 100 public financial institutions with a combined balance sheet total of EUR 3,000 billion and over 170,000 employees, i.e. representing a European market share of approximately 15%.

The EAPB would like to thank CEBS for having arranged the meeting between CEBS and EAPB representatives on 15 June 2005 in London in order to discuss the issue of supervisory disclosure and to provide preliminary comments. Furthermore the EAPB would like to thank CEBS for the opportunity to comment on the consultation paper in written form. The EAPB would very much appreciate CEBS considering the comments below and taking them into account. In case CEBS would wish to receive further explications the EAPB remains at its disposal. Also, the EAPB would very much welcome to continue the dialogue between CEBS and the EAPB concerning this issue or other topics CEBS will deal with in the future.

We welcome CEBS's guidelines for implementing a European framework for supervisory disclosure (FSD). The FSD is seen as an important tool for the effective transposition of the new capital requirements framework in the EU as it provides for simplified comparative analyses and as it is user-orientated for both supervisors and supervised entities. Thus the FSD is very useful for banks operating nationally and internationally and furthermore it improves the understanding and co-operation among supervisory authorities. Thereby the information disclosed gives CEBS a basis for achieving a suitable level of convergence of European supervisory standards and for promoting the internal market.

However, the EAPB proposes to extend the information provided in the FSD by including the domestic interpretation and administrative practice in the scope of disclosure applying to crucial issues as there are for example use-test, partial use and IRB approach admission. This would further promote the aim of transparency of national supervisory standards and would also alleviate the banks' operational implementation burden and compliance costs. Furthermore the EAPB suggests to arrange concrete internal action on the part of CEBS in case supervisors do not meet their disclosure obligations in time. Delayed or incomplete disclosure would impede the objectives of transparency and accountability pursued by CEBS. The requirement under the framework for competent authorities to up-date their disclosures at least once a year is insufficient. Particularly information that might arise during a year (e.g. new or changed legislation, changed exertion of national discretions) should be made available on a prompt and continuous basis. This up-dating requirement should also be monitored by CEBS.

The EAPB rejects the principle whereby CEBS members would merely disclose information in English on a best-efforts basis. Disclosures in several languages of the EU Member States would undermine the value of information of the entire FSD. All Member States should make all texts and documents available in English – starting with the entry into force of the disclosure requirements at the beginning of 2007.

Specific comments

- The value of the FSD, with the interlinking of the CEBS website and the national websites, will depend on the data being swiftly, regularly and carefully up-dated. It must also be ensured that all cross-references and links between national pages and the central CEBS site function smoothly.
- Competent supervisory authorities will be required to up-date their disclosures at least once a year (paragraph 103). This frequency is seen as deficient. The banking industry needs to be informed about any changes in supervisory standards as soon as possible in order to be able to react accordingly. If new CEBS agreements are reached or any national developments take place, the website should therefore be up-dated immediately. However, the EAPB has no objections when up-dating statistical data once a year.
- It would be very useful to be alerted of any up-dates by e-mail. In order to limit the number of alerts, it should for example be possible when subscribing to the alert service to specify on which disclosure elements notifications should be sent. Another

solution would be to include the date of the last up–date in the website. However, this information seems to be very useful – but should not replace the alerts.

- The EAPB especially welcomes the fact that for confidentiality reasons “no supervisory actions or decisions directed at specific institutions are to be disclosed”. The framework will, however, also contain a provision whereby “competent authorities retain sole responsibility for determining when information may not be disclosed because of a potential breach of confidentiality”. While we understand the thinking behind this, i.e. that national supervisors must be able to override the disclosure requirements in justified cases by referring to this paragraph, we are in favour of a requirement for CEBS members to report every case of use of this waiver to CEBS. CEBS should then publish a regular overview of its use in the Member States. This ensures that the waiver is used responsibly and creates transparency for the addressees concerning the cases in which a national supervisor decides not to disclose information on breach of confidentiality grounds (paragraphs 25 iii and 99).
- We believe it is correct that competent authorities are not required to make disclosures concerning options or discretions which are exercised at institution–level. In some cases, however, it is not clear in the CRD whether the authority for exercising an option or discretion lies with the supervisor or the individual institution. In order to establish clarity in this area, supervisors should therefore disclose which national options and discretions can be exercised at institution–level (paragraph 68).
- Furthermore the EAPB would favour the publication of statistical data relating to Basel I. Disclosure of such data would improve comparison between Basel I and Basel II figures (paragraph 90).
- Concerning Annex II – No. 50–52 as regards the supervisory actions and measures the EAPB does not favour the information contained. Because of the diverging national banking structures and diverging structures of financial institutions as well as risk situations one should restrain from providing such information e.g. on the number of on–site inspections. Such information will not be comparable and will not provide further value.

European Association of Public Banks