

11 March 2010

**Public hearing on CEBS's Consultation Paper on
the Draft CEBS' Guidelines for the Operational Functioning of
Colleges**

Note of meeting

London, 11 March 2010

The Committee of European Banking Supervisors (CEBS) held a public hearing on 11 March 2010 to present its draft proposal for Guidelines for the Operational Functioning of Colleges of Supervisors. The hearing was chaired by Sebastiano Laviola (Chair of the CEBS Subgroup on Operational Networks), assisted by personnel from the Secretariat and members of the Subgroup.

Around 15 representatives from individual institutions, banking associations, rating agencies, investors and third countries' supervisory authorities attended the hearing and contributed to the discussion.

1. Background

The draft proposal responds to the latest amendments to the Capital Requirements Directive (CRD), which require the establishment of supervisory colleges with a view to reinforcing the efficiency and effectiveness of supervision of cross-border banking groups and to facilitating the tasks of the consolidating supervisor and the host authorities involved in the supervision of entities belonging to the group. The Consultation Paper responds to the request in Article 131a that CEBS shall elaborate guidelines for the operational functioning of colleges.

2. CEBS' draft proposal on the operational functioning of supervisory colleges

Sebastiano Laviola explained the main objectives of CEBS's Draft Guidelines for the Operational Functioning of Colleges and the main steps forward with respect to previous CEBS deliverables on the topic. Also, he provided details on the proposed guidance for each of the tasks to be performed in the college, starting with the process of setting up the college and followed with the organisation of the exchange of information among college members; communication with management of the supervised institutions; the voluntary sharing and delegation of tasks and the adoption of joint decisions – on the permission for the usage of internal models and on the adequacy of own funds

held by the group and its entities - provided for in the CRD. The guidance for taking due account of macro-prudential risks and for the planning and coordination of activities, not only in going concern, but also in emergency situations was also presented. The guidelines were well received by the participants, who did not express major concerns. The main questions and comments, which were of a general nature, are briefly summarised below.

2.1. Ensuring consistent implementation of the guidelines

One participant stressed the role that CEBS and the future EBA should play in contributing to a uniform implementation of the Guidelines through its participation in college activities.

2.2. The role of teams of technical experts

One participant suggested putting more stress on the role that the teams of technical experts could play prior to the agreement on joint measures or actions by college members. The participation of representatives from the Industry within these teams was also suggested.

2.3. On the Harmonisation of National Supervisory Review and Evaluation Processes

One participant suggested more harmonisation of Pillar 2 approaches and methodologies as a way to facilitating the joint decision on the risk based capital adequacy that Article 129.3 requires. CEBS explained that the deeply rooted supervision procedures in each of the national supervisory authorities did not allow for harmonisation of methodologies at this point of time, but CEBS considers further convergence as a long term objective and regards the Draft Guidelines on Joint Assessment of the Elements covered by the SREP and the Joint Decision on the Risk Based Capital Adequacy as a first step towards that goal.

2.4. Supervisors' liability in the context of supervisory colleges

One participant asked whether the guidelines considered the issue of liabilities in case wrong decisions were taken within the supervisory college. CEBS explained that the existence of supervisory colleges does not change the allocation of supervisory responsibilities and, therefore, liability will follow the national regulations of the country of the supervisory authority to which the legislation allocates supervisory responsibility.

2.5. Involvement of third countries' supervisory authorities in colleges of supervisors

Several participants remarked the importance of the participation of third countries' supervisory authorities in colleges of supervisors and the importance of ensuring that CEBS approach to colleges is compatible with the upcoming BCBS guidance on colleges.

CEBS agreed on the importance of avoiding separate collegial structures for those European groups that have business in non EEA countries and clarified that during the preparation of the draft Guidelines attention had been paid to

ensure compatibility with the upcoming BCBS guidance on colleges and CEBS had shared its drafts with the BCBS. When the BCBS publishes its guidance, an analysis of consistency will be performed again and, if need be, CEBS draft Guidelines may be modified.

CEBS welcomed the comments and suggestions, which will be taken into account when revising the draft proposal. Participants in the hearing were also encouraged to send in their written comments on CP34 by 31 March 2010. All comments received will be published on CEBS's website unless respondents explicitly request otherwise. The revised version of the document, based on the results of the public consultation, is expected to be ready around the end of the 1st semester of 2010 and will be published on the CEBS website.