

Draft implementation guidelines on large exposures

Open hearing on CP26

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CEBS

Committee of European
Banking Supervisors

Outline

- The role of CEBS
- CEBS's draft implementation guidelines on LE
 - Connected clients
 - Exposures to schemes with underlying assets
 - Reporting
- Comments and questions?

The role of CEBS – objectives and tasks

Objectives:

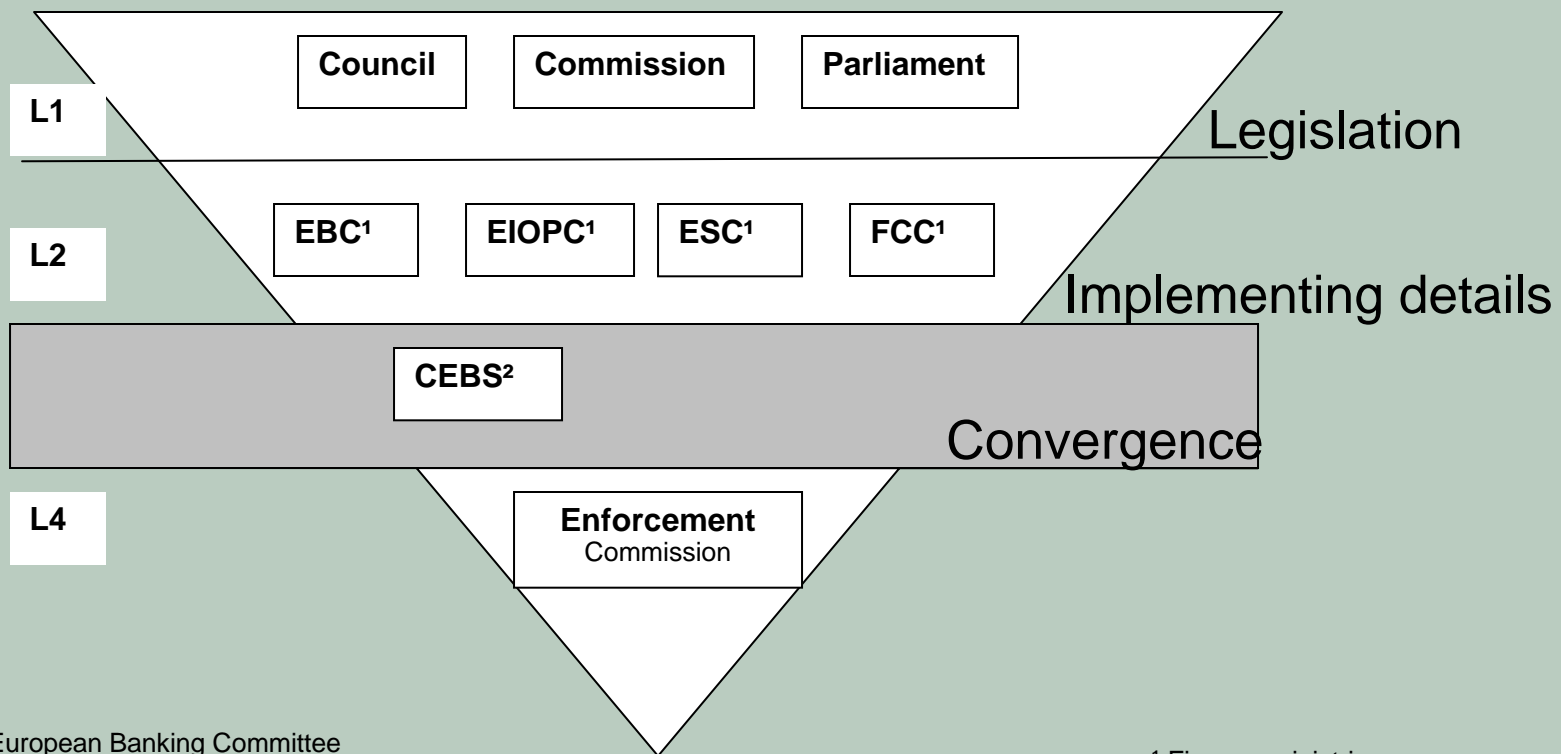
Promote efficient and effective supervision and the safety and soundness of the EU financial system through:

- Good supervisory practices
- Efficient and cost-effective approaches to supervision of cross-border groups
- Level playing field and proportionality

Main tasks:

- Give advice to the Commission
- Promote consistent implementation/application of the EU banking legislation
- Promote convergence of supervisory practices
- Promote information exchange and supervisory cooperation
- Regular risk assessments from a supervisory perspective

The role of CEBS - the Lamfalussy structure



EBC = European Banking Committee
 EIOPC = European Insurance and Occupational Pensions Committee
 ESC = European Securities Committee
 FCC = Financial Conglomerates Committee
 CEIOPS = Committee of European Insurance and Occupational Pensions Supervisors
 CESR = Committee of European Securities Regulators

¹ Finance ministries
² Supervisors and Central Banks
³ Supervisors

CP26: CEBS's draft implementation guidelines on LE

- Build on CEBS second advice to the European Commission of November 2007 and April 2008
 - Intend to further harmonise the implementation of three specific aspects of the revised LE regime across MS
 - Take into account feedback received from the industry experts nominated by the CPL
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- Will be finalised taking into account the responses to CP26, and published by the year-end for implementation by MS from 31 December 2010

CP26: i) Connected clients

Main goal: to guide institutions to indentify connected clients that should be treated as a LE single risk

- Clarify the concept of ‘interconnectedness’
- Non-exhaustive list of indicators of control to help identify control relationships
- Non-exhaustive list of examples when possible economic dependencies should be further investigated
- Connections through a common source of funding
- Identification of connected clients for at least all exposures above 1% of the institution’s own funds

CP26: ii) Exposures to schemes w/ underlying assets

Main goal: to provide a prudent framework for considering schemes w/ underlying assets and tranching products in the LE calculation

- Look-through approach is the most prudent; however, it is not always possible/feasible to apply
- More conservative approaches are proposed as an alternative; they reflect the degree of uncertainty in unknown underlying assets



The institution chooses the most appropriate approach

CP26: iii) Reporting

Main goal: harmonization of LE reporting requirements across the EU

- Common template with unique data-definitions for reporting of LE to Supervisors
- Include the common template in the COREP framework (w/ same remittance dates and frequency of reporting)
- Exceptional (non-standardised) reporting of breach of LE limits

Comments and questions?

CEBS wishes to hear from all interested parties their views on the issues and questions put forward in the CP26.

Written comments should be sent to the following email address: cp26@c-ebs.org by this **Friday 11 September.**

Thank you!