

# **Danièle Nouy, Chair of CEBS**

## **First CEBS Conference**

**London, 9 May 2007**

### **Opening remarks**

Ladies and gentlemen! It is a great pleasure and honour to welcome you at the first CEBS Conference, which is an important event for our Committee!

Today is the Schuman Day, marking the 57<sup>th</sup> anniversary of the declaration that led to the creation of what is now the European Union.

As a result, I owe a very special thank to the participants from European institutions, as today is a holiday for officials of the Union. They are doing us a favour by being with us today. An important and frequently quoted part of that declaration says that "Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity".

In a sense, this applies also the working of the so-called Lamfalussy arrangements and to the activities of our Committee since its establishment in 2004. We have worked hard to achieve practical progress and to create enhanced trust and cooperation between all supervisors and central banks from the 27 Member States and from EEA countries. Today we are in London:

- to wrap up our work in its first phase,
- discuss the progress achieved and the challenges we will have to meet in the future.

My colleagues and I are honoured to host this high level conference, with such an outstanding set of speakers from EU institutions, industry representatives and banking supervisors. This is the very first conference of this nature in the short history of CEBS and I am confident that we will all go home with a lot of food for thoughts.

This is particularly important to us as 2007 is the year in which the EU institutions will review the working of the so-called Lamfalussy approach and discuss possible improvements. CEBS intends to contribute actively to

this discussion and the input we will receive out of this Conference will be an important ingredient for our reflections.

- First of all, I would like to highlight some of the main areas of our recent and current work, to illustrate how we are meeting the current challenges.
- And then give you a short outline of today's programme.

As you may be aware, CEBS has to fulfill three main tasks:

- it has to provide regulatory advice to the European Commission,
- promote convergence of supervisory practices and
- enhance cooperation and exchange of information among banking supervisors within the European Union.

So far, CEBS' work has been mainly focused on the Capital Requirements Directive (CRD), which has implemented the Basel II capital adequacy framework in the EU. The adoption of the CRD in June 2006, together with the introduction of International Financial Reporting Standards (IFRS), provided CEBS with a unique window of opportunity to promote greater consistency in supervisory approaches across the EU.

The first phase of our work was heavily centred on the production of guidelines, aimed at assisting the development of common supervisory approaches in the application of the new rules for capital adequacy. Through a transparent process, based on open consultation and dialogue with all interested parties, we have issued twelve consultation papers and finalised eight sets of guidelines, six of which are specifically related to the new framework for capital adequacy.

In my view, but I may be biased on this, due to my role in its preparation, one key achievement has been the realization of the common European framework for supervisory disclosure, which will provide an opportunity to compare, via CEBS website and according to a common layout, the national approaches to the implementation and application of the CRD. This framework is intended to make supervisory practices more transparent, and should prove to be a powerful tool in achieving consistent implementation of EU legislation and convergence of supervisory practices.

More recently the direction of CEBS' work has been shifting from the design of common supervisory approaches through guidelines to the delivery of actual convergence in the application of the commonly agreed principles in day-to-day supervisory practices.

As the guidelines issued by CEBS:

- are mostly principles-based
- –or as principles-based as possible-
- rather than highly detailed or prescriptive,

... in order to fulfill their convergence goal they have to be enriched and maintained in the light of practical experience.

The real test of convergence will be:

- CEBS' impact on the practical day-to-day supervision of cross-border banking groups
- as well as on the ability to promote good supervisory practices and level playing field in areas affecting the whole EU banking sector, including smaller institutions with a local business focus.

These are the areas on which CEBS' success are ultimately be judged.

Operational networking is the main area of innovation for CEBS. This project focuses:

- on the supervision of cross-border groups
- and on the mechanisms for cooperation between consolidating and host supervisors.

It aims at providing a bottom-up approach to help ensure the effective application of the CRD and CEBS' guidelines, by identifying and addressing, possibly with common solutions, practical issues emerging in day-to-day supervision.

In 2006, CEBS started a pilot project focused on a limited sample of ten cross-border groups, selected on the basis of the relevance of their cross-border business in the EU. I view this work as essential in ensuring that CEBS delivers in practice what it has set out in policy.

The relevance of technical advice has also gradually grown, as the Commission asked CEBS to provide substantial contributions in the review of delicate areas of Community legislation:

- ranking from the definition of own funds
- to the limits to large exposures,
- the treatment of commodities business and firms
- and the supervision of liquidity risk/funding risk.

Another important focus is the intensified cooperation (the so-called '3L3') with the other Lamfalussy committees:

- the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and
- the Committee of European Securities Regulators (CESR).

The three Committees have agreed on a joint protocol for cooperation in 2005, which resulted in a first programme for joint work on issues of cross-sector relevance in 2006.

Although today our attention will be focused on banking, we always have to remind that our achievements have to be considered as :

- part of a common endeavour
- that we pursue together with our fellow supervisors
- in the other financial sectors.

The 3L3 Committees has started to work on enhancing supervisory convergence and implementing the recommendations of the Financial Services Committee (as set out in the "Francq Report").

One of the key goals in this report is :

- to create a common European supervisory culture,
- supported by common initiatives on staff training
- ... and short-term exchange of experts between authorities.

Greater consistency and convergence of the approaches of financial supervisors will contribute to the effective functioning of the Single Market.

Quite naturally of course, our focus has been on the Single Market, but we are well aware that banking business, and risks, do not end at the frontiers of the European Union.

CEBS has been developing contacts and dialogue with our fellow supervisors

- in the US,
- in neighbouring countries
- and with other colleagues also busy in dealing with the same issues we are facing with Basel II implementation.

I am glad to notice that supervisors from outside the EU are also in the room to discuss with us today.

Quite frankly, the amount of work that we had to produce to be where we are today, has been impressive ... but this is no time to be self-complacent.

We need to assess:

- where CEBS has succeeded,
- as well as where we could/should do better.

Having this in mind, we developed an online survey to gather feedback from all interested parties. ... Today we are going to report and discuss with you the outcome of this assessment.

Let me now give you a short outline of the day and the frame of the sessions:

In the first session, we will hear 3 keynote speeches from:

- the Chairman of the Inter-Institutional Monitoring Group, Johnny Åkerholm,
- the President of the European central Bank, Jean-Claude Trichet, and
- the Director general for the Internal Market at the European Commission, Jorgen Holmquist.

The discussion will focus on:

- the Lamfalussy review and
- the high level views of key European stakeholders on the working of the institutional arrangements for supervision.

After the coffee break we will continue with a Panel intended to discuss the progress achieved by CEBS. The results of the survey on CEBS progress will be presented and discussed.

The Panel will be chaired by José María Roldán,

- from Banco de España and
- my predecessor as Chair of CEBS,

whom I want to thank publicly for the outstanding work accomplished in launching CEBS.

Sessions two will then focus on the work under way on the implementation of the Capital Requirements Directive, the CRD building site as it is referred to in the Conference programme.

The two panels, chaired respectively by Chairs of our Expert Groups:

- Kerstin af Jochnick from the Swedish Finansinspektionen and
- Helmut Bauer from BaFin (and also Vice Chair of CEBS), will focus on the efforts to enhance convergence in supervisory practices and strengthen cooperation between supervisors.

The last session is intended:

- to set out the expectations that relevant stakeholders have on the further progress CEBS should deliver in the months and years to come,
- also discussing the possible need for refinements to the Lamfalussy approach.

Giovanni Carosio will chair this session, who will host key intervention from the Chair of the Committee on Economic and Monetary Affairs of the European parliament, Mme Pervenche Beres, the Chairman of the Financial services Committee, David Vegara, the Director for Financial Services policies and Financial Markets at the European Commission, David Wright, and ...

As I mentioned before, after each sessions and panels, you will have the opportunity to ask questions and discuss relevant issues.

I think I should stop here and avoid taking more of your precious time.

Let me just conclude by thanking you on behalf of CEBS. I do look forward to a very interesting discussion throughout the day.